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KEDI ECONOMIC SURVEY

December 1991

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SOURCES:

The U. S. Department of Commerce new GDP estimates of National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, November 1991.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Recent data indicate the economy is stronger than might be expected if based solely on consumer confidence data.

Prices

For stores open more than one year, retail sales in November rose an estimated 1-2% above the level of last year.

Emplcyment & Labor

In November, the unemployment rate of 6.8% remained unchanged from the previous month.

Housing

In October, sales of existing homes rose 1% from the month before and were up 2.6% from a year earlier.

Automobiles

Look for currrent round of generous incentives and lease packages to extend well into the first quarter of next year.

Budgets

It is expected that the Federal deficit will peak in 1993 and decline afterwards.

Income

Corporate after-tax profits are expected to continue increasing through 1992 and 1993.

Money & Credit

More vigorous expansion of consumer borrowing is expected to take place in 1993.

Interest Rates, Yields & Securities Prices

Do not look for signficant downward adjustments in interest rates from the December 17, 1991 meeting of the Federal Reserve Open Market Committee.

0.02 ASSUMPTIONS

		Update
1.	In 1992, the weighted price of oil will be increasing in small margins	October 1991
2.	Monetary and credit policies are expected to tighten in the last quarter of 1992 and afterward.	December 1991
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the December 1991 KEDI forecast.	
*	Growth will resume in the second half of 1991.	September 1991
*	The upward trend will continue throughout the second half of 1991 and 1992.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	In the second half of 1992 interest rates will be increasing.	October 1991
*	Federal budget deficits will keep declining in 1993 and the following years.	July 1991
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

1991
FORECAST
DATA

Percent Change
from
November 1991
Forecast

+17.05%	GDP
+ 3.03%	Private housing starts
+ .53%	Unemployment
- .12%	Index Indust. Prod.
- .22%	Capacity Util.
- .28%	Autos

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

RECENT DATA INDICATE THE ECONOMY IS STRONGER THAN MIGHT BE EXPECTED IF BASED SOLELY ON CONSUMER CONFIDENCE DATA. Other positive signs pointing to economic growth in coming months include:

* contracts for new construction rose 9% in October, indicating a rebound in single-family housing, public works projects, and nonresidential building
* in last 10 days of November, sales of domestically-produced cars rose 17.5% and sales of trucks by 27.2% compared to the year-earlier period
* production or raw steel rose to 7.7 mil tons in October from 7.5 mil tons in September
* new orders for durables rose in October to a seas. adj. $123.8 bil. from $120.2 bil a month earlier
* Index of Leading Indicators rose in October to 145.5% of the 1982 average from 145.3% in September
* rebound in single-family housing starts is under way

On the other hand:
* consumer spending declined .4% in October
* in November, the Michigan Univ. Index of Consumer Sentiments fell significantly
* in November, purchasing managers index fell to 50.1 from 53.5 in October
* latest reports on employment have shown more than 60 thousand lost jobs in November

Actual and forecast data indicate that the economy is definitely in the recovery stage; however, it is anemic. LOOK FOR ACCELERATED GROWTH IN THE SECOND QUARTER OF 1992.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GDP	Index of ind. prod.	Unem-ployment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$87 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1990*	4884.9	109.2	5.51	82.3	1.193	9.5
1991:1*	4824.0	105.5	6.52	77.9	.915	8.2
2*	4840.7	107.2	6.83	77.8	.998	8.9
3P	4861.0	108.1	6.77	78.6	1.065	8.9
4	4880.4	109.1	6.82	79.4	1.143	9.1
YEAR	4851.5	107.5	6.73	78.4	1.030	8.8
% change from '90	-.7	-1.6	22.2	-4.7	-13.6	-7.6
1992:1	4907.1	109.8	6.67	80.1	1.081	9.0
2	4935.4	110.6	6.43	81.0	1.132	9.7
3	4968.5	111.8	6.04	82.2	1.224	9.8
4	5001.7	112.8	5.82	82.8	1.199	10.1
YEAR	4953.2	111.2	6.24	81.5	1.159	9.7
% change from '91	2.1	3.5	-7.3	4.0	12.5	10.0
1993:1	5034.3	113.9	5.66	83.0	1.188	9.6
2	5063.3	114.6	5.48	84.1	1.280	10.1
3	5091.4	116.3	5.43	84.2	1.342	10.3
4	5122.7	117.2	5.46	84.3	1.285	10.3
YEAR	5077.9	115.5	5.51	83.9	1.274	10.1
% change from '92	2.5	3.8	-11.7	2.9	9.9	4.4

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

FOR STORES OPEN MORE THAN ONE YEAR, RETAIL SALES IN NOVEMBER ROSE AN ESTIMATED 1-2% ABOVE THE LEVEL OF LAST YEAR.

Forecast data point to further growth in December and throughout 1992.

KEDI forecast data show that consumers will be spending more for Christmas this year than last year with data pointing to a 1.5% increase. It is expected that the holiday season will bring some relief to retailers and significant discounts for shoppers.

Data on retail sales for the first quarter of 1992 indicate lackluster performance in most categories of merchandise and services. The balance of 1992, however, will see a revival in the Spring and continue vigorouslly throughout the second half of 1992.

1991 FORECAST DATA

Percent Change from November 1991 Forecast

+ 3.34%	Pers. Cons. Expend. Services
+ 2.22%	Pers. Cons. Expend. Nondurable
+ .68%	Retail Sales Nondurable
+ .42%	Retail Sales Total
- .01%	Retail Sales Durable
- 3.91%	Pers. Con. Expend. Durable

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	*--Personal	Cons. Expend.-**		------Retail	Sales-------	*
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1990*	465.9	1217.7	2060.3	1807.2	654.8	1152.4
1991:1*	440.7	1246.3	2142.6	1780.1	663.4	1116.7
2*	440.0	1252.9	2215.6	1817.6	674.6	1143.0
3P	452.8	1258.9	2203.6	1850.8	689.0	1161.8
4	462.3	1269.0	2214.3	1896.1	701.5	1194.6
YEAR	448.9	1256.8	2194.0	1836.1	682.1	1154.0
% change from '90	-3.6	3.2	6.5	1.6	4.2	.1
1992:1	472.4	1277.5	2260.7	1923.5	718.4	1205.1
2	481.4	1289.3	2342.4	1948.1	736.2	1186.5
3	46.6	1302.1	2899.0	2009.4	752.3	1257.1
4	514.2	1320.7	2531.8	2109.4	770.4	[illegible]
YEAR	378.6	1297.4	2508.5	1997.6	744.3	1246.9
% change from '91	-15.7	3.2	14.3	8.8	9.1	8.1
1993:1	525.2	1330.1	2608.9	2139.1	807.1	1332.0
2	542.4	1344.3	2662.5	2158.9	824.3	1334.6
3	557.3	1361.5	2713.6	2196.7	836.2	1360.5
4	575.8	1378.4	2824.6	2264.9	842.4	1422.5
YEAR	550.2	1353.6	2702.4	2189.9	827.5	1362.4
% change from '92	45.3	4.3	7.7	9.6	11.2	9.3

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

FORECAST DATA OF GDP INDICATE THE ECONOMY WILL REMAIN SLUGGISH IN 1992:1, WITH GROWTH TO ACCELERATE AFTERWARD. Look for strong performance in 1993.

Table 1.13 on the following page contained revised data released December 4, 1991 by the U.S. Dept. of Commerce. Revisions pertain to three areas:

* routine benchmark revision of previously-reported data

* basis of price deflators moved from 1982=100. to 1988=100.

* use of GDP (Gross Domestic Product) concept instead of GNP (Gross National Product) concept

These revisions have significantly changed the previously-reported data. Also affected have been growth rates of the economy. Using the new measure of GDP, the downturn of the economy is deeper than when using the GNP measure.

On the other hand, the GDP measure shows that the economy emerged from the downturn earlier when compared to the GNP measure:

Rates of growth (in %)

	GDP	GNP
1990:4	-2.5	-1.6
1991:1	-3.9	-2.8
1991:2	+1.4	- .5
1991:3	+1.7	+2.0

1991 FORECAST DATA

Percent Change from November 1991 Forecast

+39.71%	Net Exports
+30.96%	Pers. Con. Expend.
+17.45%	Gross Private Dom. Invest.
+17.05%	GDP
+15.10%	State Local Purch.
+11.04%	Federal Government Purch.

TABLE 1.13
REAL GDP
Quarterly data are seasonally adjusted at annual rates.

	-----------Gross Domestic Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1990*	4884.9	3262.6	744.5	-51.3	380.9	548.2
1991:1*	4824.0	3241.2	657.0	-18.6	391.7	552.7
2*	4840.7	3252.3	656.3	-12.3	392.7	551.7
3P	4861.0	3270.6	687.6	-32.3	384.1	551.0
4	4880.4	3011.4	969.2	-34.6	382.1	552.3
YEAR	4851.5	3537.7	742.5	-24.4	387.6	551.9
% change from '90	-.7	8.4	-.3	-52.3	1.8	.7
1992:1	4907.1	3295.9	707.4	-36.5	386.1	554.2
2	4935.4	3321.4	710.3	-38.1	384.2	557.6
3	4968.5	3347.5	720.6	-40.6	381.8	559.2
4	5001.7	3386.2	726.1	-46.7	374.4	561.7
YEAR	4953.2	3337.8	716.1	-40.5	381.6	558.2
% change from '91	2.1	-5.7	-3.6	65.5	-1.6	1.1
1993:1	5034.3	3400.9	731.4	-40.2	379.1	563.1
2	5063.3	3418.4	738.5	-39.4	380.4	565.4
3	5091.4	3432.6	746.2	-37.8	383.2	567.2
4	5122.7	3443.0	756.8	-32.7	386.1	569.5
YEAR	5077.9	3423.7	743.2	-37.5	382.2	566.3
% change from '92	2.5	2.6	3.8	-7.3	.2	1.5

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

KEDI PRICE OUTLOOK CALLS FOR MODERATE PRICE INCREASES IN 1992 AND SOMEWHAT FASTER GROWTH IN 1993.

% Increases over preceding year:

	Consumer Price Index	Producer Price Index	GDP Price Deflator
1991	3.8	2.6	3.6
1992	3.0	4.3	4.5
1993	3.7	5.0	4.0

Factors supporting this price outlook:

* In 1992 and 1993, international prices of crude materials and energy sources are expected to be increasing by small margins only

* Wage increases in existing and expected contracts do not point to excessive hikes

* Forecast data on food and food-related items suggest increases averaging between 2-3% in each forecast year

* Slow demand in markets for commodities and many kinds of services, and tightness in labor markets will not allow steep hikes in prices of goods, services and labor.

1991
FORECAST
DATA

Percent Change
from
November 1991
Forecast

+ .08%	Producer Price Index
0.00%	Consumer Price Index
- 9.38%	Federal Govt. Purch.
-13.65%	Personal Cons. Expend.
-14.16%	GDP
-20.77%	State Local Purch.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1990*	130.7	119.2	112.9	114.8	111.6	112.7
1991:1*	134.8	121.3	115.9	118.2	115.3	115.3
2*	135.4	121.9	117.6	120.2	115.1	116.1
3P	136.2	122.4	117.4	119.7	115.8	116.8
4	136.8	123.6	117.8	131.0	116.3	118.0
YEAR	135.8	122.3	117.2	122.3	115.6	116.5
% change from '90	3.9	2.6	3.8	6.5	3.6	3.4
1992:1	137.9	125.0	118.9	121.7	117.8	118.8
2	138.9	126.8	120.6	123.8	118.8	119.7
3	140.7	128.1	122.9	126.9	119.4	120.9
4	141.9	130.1	124.6	129.0	121.0	121.4
YEAR	139.8	127.5	121.8	125.3	119.2	120.2
% change from '91	3.0	4.3	3.9	2.5	3.1	3.1
1993:1	143.0	131.1	126.2	131.3	122.5	122.8
2	144.2	132.2	127.6	133.1	123.6	124.2
3	146.1	135.3	129.0	135.0	125.0	126.0
4	147.0	137.1	131.5	138.8	126.1	127.0
YEAR	145.1	133.9	128.6	134.5	124.3	125.0
% change from '92	3.7	5.0	5.6	7.3	4.2	4.0

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1991 FORECAST DATA

Percent Change from November 1991 Forecast

+ 8.08%	Gross Private Dom. Invest.
+ 1.89%	Personal Cons. Expend.
+ .61%	Federal Govt. Purch.
+ .55%	GDP
- 8.78%	State Local Purch.
-1407.69%	Net Exports

DATA POINT TO CONTINUOUS DETERIORATION IN NET EXPORTS AND SLOW CAPITAL FORMATION IN 1992.

The December 4, 1991 revision of National Income and Product Accounts and passage from the Gross NATIONAL product concept to the Gross DOMESTIC Product concept have significantly changed values of the output of the U.S. economy and the output's components. The following illustrate the differences:

(In bil. $)

	GNP Concept to 12.3-91	GDP Concept of 12-4-91
Totals		
1990	5465.1	5513.8
1991:3	5671.0	5707.4
Personal Consumption Expenditures		
1990	3657.3	3742.6
1991:3	3852.6	3915.8
Gross Private Domestic Investment		
1990	741.0	802.6
1991:3	684.6	742.0
Net Exports		
1990	-31.2	-74.4
1991:3	-11.4	-38.8

Forecast data for nominal GDP and components indicate that the overall growth will remain sluggish in the first quarter of 1992, with growth to accelerate in the second quarter and afterward.

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

	-----------Gross Domestic Product---------------					
INDICATOR Unit	Total bil. $	Pers. cons. expend. bil. $	Gross pvt. dom invest. bil. $	Net exports bil. $	Fed. govt. purch. bil. $	State local purch. bil. $
Year & Qtr.						
1990*	5515.1	3743.9	802.6	-74.4	425.1	617.8
1991:1*	5591.0	3829.6	709.3	-36.8	451.6	637.3
2*	5692.7	3908.5	708.8	-17.2	452.0	640.5
3	5706.8	3915.3	742.0	-38.8	444.8	643.6
4	5749.1	3945.6	750.6	-43.2	444.4	651.7
YEAR	5684.9	3899.8	727.7	-34.0	448.2	643.3
% change from '90	3.1	4.2	-9.3	-54.3	5.4	4.1
1992:1	5834.5	4010.6	757.4	-46.7	454.8	658.4
2	5952.1	4113.1	762.6	-47.5	456.4	667.4
3	6106.3	4247.7	775.2	-48.6	455.9	676.1
4	6232.1	4366.7	780.2	-49.7	453.0	681.9
YEAR	6031.3	4184.5	768.9	-48.1	455.0	671.0
% change from '91	6.1	7.3	5.7	-11.4	1.5	4.3
1993:1	6353.3	4464.2	781.4	-48.2	464.4	691.5
2	6460.8	4549.2	788.6	-49.4	470.2	702.2
3	6567.9	4632.4	791.3	-49.5	479.0	714.7
4	6736.4	4778.8	794.5	-47.1	486.9	723.3
YEAR	6529.6	4606.2	789.0	-48.5	475.1	707.9
% change from '92	8.3	10.1	2.6	.9	4.4	5.5

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1991
FORECAST
DATA

Percent Change
from
November 1991
Forecast

+ .07%	Unemployment
+ .02%	Population
0.00%	Civilian Labor Force
0.00%	Agriculture
- .15%	Total Employed
- .16%	Nonagriculture

IN NOVEMBER THE UNEMPLOYMENT RATE OF 6.8% REMAINED UNCHANGED FROM THE PREVIOUS MONTH. It is expected to change insignficantly this month. Forecast data point to the unemployment rate peaking this quarter. It will be declining marginally throughout the first half of next year. Declines will accelerate in the second half of the year and afterward.

The outlook for employment next year calls for marginal gains in hiring when compared to the unemployment level of 1991:4.

Weaknesses in labor markets are expected to be centered mainly in construction, transportation (notably airlines), public utilities, public administration, finance, insurance, real estate areas, and domestic communications areas.

In 1992, most new job offerings are expected to be in the health-service segment and related industries.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Nonagric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1990*	260.9	124.8	117.9	3.2	114.7	5.51
1991:1*	264.6	124.0	115.9	3.2	112.7	6.52
2*	264.5	125.1	116.6	3.2	113.4	6.83
3P	265.1	126.4	117.8	3.2	114.6	6.77
4	262.4	127.3	118.6	3.2	115.4	6.82
YEAR	264.1	125.7	117.6	3.2	114.4	6.73
% change from '90	1.2	.7	.7	0.0	-.3	22.2
1992:1	266.0	127.6	119.1	3.2	115.9	6.67
2	266.4	128.4	120.1	3.2	116.9	6.43
3	267.0	129.1	121.3	3.2	118.1	6.04
4	267.9	130.0	122.4	3.2	119.2	5.82
YEAR	266.8	128.8	120.7	3.2	117.5	6.24
% change from '91	1.0	2.4	2.6	0.0	2.7	-7.3
1993:1	269.8	131.4	124.0	3.2	120.8	5.66
2	270.3	132.3	125.0	3.2	121.8	5.48
3	271.2	133.0	125.8	3.2	122.6	5.43
4	272.1	134.3	127.0	3.2	123.8	5.46
YEAR	270.9	132.8	125.4	3.2	122.2	5.51
% change from '92	1.5	3.1	3.4	0.0	4.0	-11.74

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1991
FORECAST
DATA

Percent Change
from
November 1991
Forecast

+ 1.17%	1-family housing existing
+ .05%	1-family housing new
- .58%	Single family housing starts
- .99%	Mobile home shipments
- 1.46%	Multiple family housing starts
- 1.49%	Permits issued

IN OCTOBER, SALES OF EXISTING HOMES ROSE 1% FROM THE MONTH BEFORE AND WERE UP 2.6% FROM A YEAR EARLIER.

Data indicate that the summer-long decline in sales of existing single-family houses ended and the rebound is under way. Forecast data for sales of new houses are not as encouraging as those of existing houses. A stronger market is expected to develop in the Spring quarter of 1992.

The outlook for housing starts is optimistic for single-family structures. Data point to 10% increase in starts next year with an additional rise of 4.5% in 1993 over 1992.

Forecast data for multi-family structures show marginal improvements in the first half of 1992 and some acceleration in the second half of the year; however, a significant hike in multi-family structures is expected to take place in 1993.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home shipments mil.	Permits authorized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1990*	.895	.298	.188	1.111	156.9	118.5
1991:1*	.726	.189	.167	.840	160.6	118.8
2*	.863	.167	.170	.964	157.2	119.8
3P	.891	.174	.178	.982	160.2	123.2
4	.932	.211	.182	1.127	173.9	129.9
YEAR	.853	.185	.174	.978	163.0	122.9
% change from '90	-4.7	-37.8	-7.3	-11.9	3.9	3.7
1992:1	.899	.182	.180	.982	170.7	124.0
2	.931	.201	.201	.998	174.8	127.9
3	.984	.240	.206	1.188	180.2	130.1
4	.968	.231	.184	1.138	186.3	132.2
YEAR	.946	.213	.193	1.077	178.0	128.6
% change from '91	10.8	15.2	10.6	10.0	9.2	4.6
1993:1	.944	.244	.190	.981	190.3	134.8
2	.998	.282	.204	.998	193.6	137.3
3	1.026	.316	.208	1.157	199.2	138.7
4	.987	.298	.201	1.146	201.4	139.0
YEAR	.989	.285	.201	1.071	196.1	137.4
% change from '92	4.6	33.5	4.2	-.6	10.2	6.9

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

THE PRICE OUTLOOK SUGGESTS THAT THE CURRENT ROUND OF GENEROUS INCENTIVES AND LEASE PACKAGES WILL EXTEND WELL INTO THE FIRST QUARTER OF NEXT YEAR.

In the last 10 days of November, sales of domestically-produced cars and trucks rose 20.9% compared to year-earlier period. Data indicate the auto industry may be turning the corner.

Forecast data for the rest of this year and the first quarter of 1992 show that sales will keep improving marginally. Starting in the second quarter of next year, car sales are expected to pick up and continue at a strong pace through the second half of 1992 and into 1993.

The outlook for light-duty trucks is optimistic. Fairly strong sales are predicted to continue in 1992 and 1993.

1991
FORECAST
DATA

Percent Change
from
November 1991
Forecast

+ .96%	Imported Car Sales
+ .82%	Domestic Car Sales
0.00%	Dealer Inventory
- .28%	Total Car Sales
- .81%	Shipments
- 1.43%	Light Truck Sales

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1990*	9.5	6.9	2.6	1.4	6.6	3.7
1991:1*	8.2	6.0	2.2	1.3	6.0	3.2
2*	8.9	6.2	2.7	1.4	6.1	3.5
3P	8.8	6.1	2.8	1.4	6.3	3.6
4	9.1	6.3	2.8	1.5	6.2	3.5
YEAR	8.8	6.2	2.6	1.5	6.2	3.5
% change from '90	-7.6	-10.9	1.0	7.1	-6.8	-6.8
1992:1	9.0	6.1	2.9	1.6	6.3	3.7
2	9.7	6.7	3.0	1.6	6.6	4.0
3	9.8	6.6	3.2	1.7	6.7	4.2
4	10.1	6.9	3.2	1.7	6.8	4.1
YEAR	9.7	6.5	3.1	1.7	6.6	4.0
% change from '91	10.0	-8.0	17.1	13.3	7.3	15.9
1993:1	9.6	6.4	3.2	1.7	6.8	4.2
2	10.2	6.8	3.3	1.8	7.0	4.3
3	10.8	7.0	3.3	1.7	7.1	4.6
4	10.7	6.9	3.4	1.8	7.2	4.5
YEAR	10.1	6.8	3.3	1.8	7.0	4.4
% change from '92	4.4	-1.2	7.3	5.9	6.4	10.0

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1991
FORECAST
DATA

Percent Change
from
November 1991
Forecast

+ 1.83%	Federal Surplus Deficit
+ .17%	State Income Tax
- .87%	Federal Income Tax
- 1.42%	State Surplus Deficit
- 1.52%	Corporate Profit Tax Accrued
- 5.11%	State Corporate Tax Accrued

IT IS EXPECTED THAT THE FEDERAL DEFICIT WILL PEAK IN 1993 AND DECLINE AFTERWARDS.

It is not possible, at this time, to realistically predict the outcome of the package of measures to stimulate the economy that will be presented by President Bush in January 1992. It is anticipated, however, that final Administration and Congressional consensus will not significantly violate the discipline of last years' Federal Budget Agreement on taxation, spending, and deficits.

Based on this assumption, the KEDI forecast of Federal and State and Local budgets is barely changed when compared to the November forecast data. In this forecast, data on Federal receipts from income and profits taxes have been reduced while data on Federal budget deficit has increased somewhat, mainly for the year 1992.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

	-----FEDERAL----------			*---STATE AND LOCAL----*		
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	492.8	108.5	-166.0	206.6	23.6	35.4
1991:1*	501.3	98.0	-166.9	213.3	20.1	30.0
2P	499.5	96.3	-187.3	217.3	21.0	38.6
3	510.2	96.2	-196.7	219.8	23.4	38.5
4	520.3	99.5	-201.8	223.9	24.7	39.2
YEAR	507.8	97.5	-188.2	218.6	22.3	36.6
% change from '90	3.0	-10.1	13.4	5.8	-5.5	3.3
1992:1	540.1	101.2	-204.2	230.2	26.3	40.1
2	548.2	106.3	-209.6	230.8	27.2	41.3
3	560.7	110.4	-218.3	236.5	30.5	42.7
4	572.4	115.2	-229.5	240.2	33.8	43.0
YEAR	555.4	108.3	-215.4	234.4	29.4	41.8
% change from '91	9.4	11.1	14.5	7.3	32.1	14.2
1993:1	590.3	120.6	-238.4	250.6	34.4	44.5
2	594.4	127.2	-218.5	262.2	35.0	46.2
3	604.5	130.1	-198.3	276.5	36.1	48.2
4	619.7	134.5	-164.7	281.4	37.6	50.8
YEAR	602.2	128.1	-205.0	267.7	35.8	47.4
% change from '92	8.4	18.3	-4.8	14.2	21.5	13.5

---

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1991 FORECAST DATA

Percent Change from November 1991 Forecast

+30.85%	Personal Savings
+ 3.10%	Personal Disp. Income
+ 2.53%	Personal Income
+ .11%	Corporate After Tax Profit
0.00%	Average Weekly Savings
- 1.08%	Comp. of Employees

CORPORATE AFTER-TAX PROFITS ARE EXPECTED TO CONTINUE INCREASING THROUGH 1992 AND IN 1993.

In October, Personal Income increased by $10.46 bil, following the $21.0 bil. increase in September, seasonally adjusted.

Forecast data point to slow growth of Personal Income, Personal Disposable Income and most of their components for the rest of this year and in 1992 and 1993.

The interest income component will continue declining in 1992, resuming an upward trend in 1993 and afterward.

Corporate after-tax profits rose 3.9% in 1991:3 over the second quarter profits. Forecast data show further improvements in the fourth quarter of this year.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1990*	4649.9	3950.5	3301.5	172.5	206.6	443.5
1991:1*	4757.6	4043.0	3428.1	166.2	213.4	449.1
2*	4854.9	4138.1	3442.4	160.0	229.6	456.3
3P	4858.1	4128.1	3418.2	163.7	212.8	463.7
4	4906.5	4162.3	3500.2	170.0	216.7	464.1
YEAR	4844.3	4117.9	3447.2	165.0	218.1	458.3
% change from '90	4.2	4.2	4.4	-4.4	5.6	3.3
1992:1	5187.9	4417.6	3607.3	172.0	220.1	468.5
2	5306.6	4527.6	3690.4	176.7	224.2	473.7
3	5466.6	4669.4	3779.2	187.1	228.1	476.4
4	5604.5	4791.9	3802.4	190.3	226.5	483.1
YEAR	5391.4	4601.6	3719.8	181.5	224.7	475.4
% change from '91	11.3	11.7	7.9	10.0	3.0	3.7
1993:1	5719.3	4878.4	3907.0	192.4	212.6	485.4
2	5837.1	4980.5	3990.3	195.2	227.6	488.7
3	5951.8	5070.8	4063.2	200.1	232.2	492.2
4	6132.3	5231.2	4161.7	202.2	243.3	496.4
YEAR	5910.1	5040.2	4030.6	197.5	228.9	490.7
% change from '92	9.6	9.5	8.4	8.8	1.9	3.2

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1991
FORECAST
DATA

Percent Change
from
November 1991
Forecast

+	.07%	Mortg. at all holders
+	.04%	Consumer demand deposits
-	.01%	Time deposits
-	.03%	Consumer industrial loans
-	.53%	Large denom. time deposits
-	1.10%	Consumer Install. Credit

MORE VIGOROUS EXPANSION OF CONSUMER BORROWING IS EXPECTED TO TAKE PLACE IN 1993.

In this forecast, two anticipations have been incorporated:

* Money and credit markets will not be significantly affected by measures to stimulate the economy, which will be announced by President Bush in his January 1992 State of the Union address.

* It is also anticipated that Federal Reserve will continue in its policy of monetary and credit ease throughout the most of next year.

Under these assumptions, forecast data for money and credit indicate that the fastest growing markets in 1992 are expected to be those for U.S. Government securities, due to the record Federal budget deficits in the current and following fiscal years. In the second half of 1992 and afterwards, strong increases in the demand in markets for corporate bonds and mortgages are expected. Markets for consumer credit are expected to resuscitate in the second quarter of next year; however, increases in the total of consumer credit outstanding are expected to be comparatively low.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDI-CATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	812.2	3293.2	735.1	577.2	533.9	3856.2
1991:1*	830.2	3371.6	732.4	578.1	536.0	3883.7
2*	851.2	3385.4	730.6	580.9	541.4	3895.2
3P	863.8	3392.8	730.1	581.4	542.0	4000.3
4	873.3	3407.1	730.1	582.0	543.1	4049.7
YEAR	854.6	3389.2	730.1	582.0	543.1	4049.7
% change from '90	5.2	2.9	-.7	5.3	1.7	5.0
1992:1	880.5	3440.1	734.5	583.1	550.4	4091.5
2	894.2	3485.4	744.2	590.6	561.3	4167.7
3	901.2	3548.4	755.3	596.4	564.4	4229.3
4	908.8	3615.4	753.4	600.4	568.7	4264.3
YEAR	896.2	3522.3	753.4	600.4	568.7	4264.3
% change from '91	4.9	3.9	3.2	3.2	4.7	5.3
1993:1	913.2	3666.8	783.7	603.2	580.5	4305.6
2	918.3	3721.2	788.5	607.3	600.2	4356.4
3	927.4	3798.5	798.9	611.3	603.9	4403.1
4	931.5	3861.5	808.0	616.8	606.7	4488.2
YEAR	922.6	3762.0	808.0	616.8	606.7	4488.2
% change from '92	2.9	6.8	7.2	2.7	6.7	5.3

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1991
FORECAST
DATA

Percent Change
from
November 1991
Forecast

0.00%	30 year govt. bond yield
- .06%	Aaa Corp. bonds
- .13%	S & P's 500 Avg.
- .42%	Prime rate
- .46%	Treasury bills 3 mo. yield
- .60%	Conv. mortg. rate

DO NOT LOOK FOR SIGNFICANT DOWNWARD ADJUSTMENTS IN INTEREST RATES FROM THE DECEMBER 17, 1991 MEETING OF THE FEDERAL RESERVE OPEN MARKET COMMITTEE.

While some minor reductions of interest rates cannot be ruled out, it is anticipated that interest rates will stay at, or be slightly below, the current levels for the most of 1992.

In the second half of next year, specifically in the fourth quarter, forecast calls for a start of the upward trend in interest rate levels.

Two main factors are expected to push interest rates up:

* The economy will be strong enough in the second half of 1992 and will not need to be stimulated by low interest rates.

* The industrialized counties, especially Germany, Japan, United Kingdom, and others will not follow the U.S. lead by signficantly reducing interest rates. The gap between low U.S. rates and high foreign interest rates that developed this year cannot last too long since it stimulates the outflow of capital from the U.S. financial markets.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES

Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1990*	7.51	10.00	9.78	9.32	8.55	334.59
1991:1*	5.97	8.84	9.34	8.80	8.19	370.72
2*	5.59	8.50	9.31	8.62	8.39	379.70
3P	5.21	8.40	9.06	8.61	8.14	389.53
4	5.01	7.72	8.63	8.67	7.84	391.92
YEAR	5.45	8.37	9.09	8.68	8.14	382.97
% change from '90	-27.5	-16.3	-7.1	-6.9	-4.8	14.5
1992:1	4.84	7.50	8.59	8.74	7.72	395.71
2	4.91	7.54	8.68	8.81	7.80	397.24
3	5.17	7.64	9.02	9.03	7.84	404.45
4	5.39	7.81	9.10	9.17	8.04	409.47
YEAR	5.08	7.62	8.85	8.94	7.85	401.72
% change from '91	-6.7	-8.9	-2.6	3.0	-3.6	4.9
1993:1	5.54	8.09	9.31	9.26	8.10	410.66
2	6.12	8.35	9.62	9.34	8.21	412.33
3	6.29	8.54	9.63	9.30	8.08	414.72
4	6.58	8.76	9.75	9.29	8.04	410.24
YEAR	6.13	8.43	9.58	9.30	8.11	411.99
% change from '92	20.8	10.7	8.3	4.0	3.3	2.6

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue Money Supply M1 has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1989-90, pp. 39 and 41. Actual figure is the three-month average of data in the Survey of Current Business, blue pages, September 1991 issue.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Money Supply M1 (bil. $)
Actual figure: 823.3

Forecaster	Date of Forecast	Forecast	Accuracy %
Ameritrust, OH	12/89	808.3	- 1.8
First Interstate Bank Corp., Los Angeles, CA	12/89	834.0	+ 1.3
Manufacturers Hanover Trust, NY	12/89	811.1	- 1.4
Shawmut of Boston, MA	12/89	812.0	- 1.4
Valley National Bank, AR	12/89	818.0	- .6
Metropolitan Life, NY	12/89	836.0	+ 1.5
Shearson Lehman, NY	12/89	815.7	- .9
K.E.D.I., Inc, OH	12/89	808.9	- 1.7
Fidelity Bank, PA	12/98	838.0	+ 1.8
Fleet National Bank, RI	12/89	807.8	- 1.9
Marine Midland Bank, NY	12/89	812.9	- 1.3
Society National Bank, OH	12/89	822.0	- .2

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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SOURCES:

The U. S. Department of Commerce third quarter 1991 GDP estimates of National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, December 1991.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

The economy will be struggling in recovery during the first half of 1992 with an upward trend emerging in the second half.

Prices

Consumer inflation is expected to be 3.0% in 1992, compared to 3.8% in 1991, with 1993 somewhat higher at 3.7%.

Employment & Labor

Forecast data show that the unemployment rate will remain stubbornly high and will decline in small increments only.

Housing

Look for a rebound in 1-family housing to commence in the second quarter and continue afterward.

Automobiles

The passenger car segment of the automobile industry will show continuous weakness in the first half of this year.

Budgets

Data call for the year 1992 as the year of the record Federal Budget deficit, and 1993 as the start of gradual declines.

Income

Personal income and most of its components will increase moderately and persistently throughout the forecast period.

Money & Credit

Data on certificates of deposit point to continuous weakness this year with some slight increase in volume traded in 1993.

Interest Rates, Yields & Securities Prices

Data on financial markets indicate continuous increases in prices of stocks and bonds throughout this year and slowing down in 1993.

0.02 ASSUMPTIONS

	Update
1. In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2. Monetary and credit policies are expected to tighten in the last quarter of 1992 and afterward.	December 1991
3. In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4. Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5. Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

* Table 0.00 on page 3 shows forecast data of selected indicators of the January 1992 KEDI forecast.	
* Growth will accelerate in the second half of 1992.	January 1992
* The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
* Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
* In the second half of 1992 interest rates will be increasing.	October 1991
* Federal budget deficits will keep declining in 1993 and the following years.	July 1991
* During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1991, 1992 and 1993 are on pages indicated below.

Indicator	Unit	1990	1994	1995	1996
Gross domestic	bil. 87$	4884.9	5220.1	5371.5	5538.0
product, p. 5	% change	1.8	2.8	2.9	3.1
Index of indust.	1987=100	108.3	118.5	122.4	126.6
prod., p. 5	% change	1.4	2.6	3.3	3.4
Capacity	%	82.0	84.1	83.6	82.9
utiliz., p. 5	% change	-.9	.2	-.6	-.8
Unemployment	%	5.5	5.6	82.9	1.2
rate, p. 5	% change	.8	.1	-1.2	-1.1
Private housing	mil.units	1.2	1.3	1.2	1.3
starts, p. 5	% change	-6.3	4.1	-5.8	4.7
Car sales,	mil.units	9.5	10.4	10.7	11.1
p. 5	% change	-5.0	3.2	2.8	4.0
Implicit GDP	1987=100	112.9	133.1	138.0	142.6
price def.,p.11	% change	4.1	3.8	3.7	3.3
Consumer Price	82-84=100	130.7	150.4	155.9	161.8
Index, p. 11	% change	4.8	3.7	3.6	3.8
Prod.Price Index	1982=100	119.4	138.9	144.5	150.1
(fin.goods),p.11	% change	5.1	4.9	4.0	3.9
Federal Deficit	bil. $	-194.6	-160.1	-127.4	-103.3
p. 21	% change	-8.4	-17.9	-20.4	-18.9
Personal Income	bil. $	4679.8	6349.9	6832.5	7392.8
p. 23	% change	6.7	7.8	7.6	8.2
Prime Rate	%	10.0	7.7	8.2	8.9
p. 27	% change	-3.5	-3.6	7.0	8.0
Mortgage Rate	%	9.8	9.8	10.1	9.9
p. 27	% change	-2.4	5.0	2.7	-1.8
Currency+demand	bil. $	811.6	968.7	1021.0	1083.3
deposits , p. 25	% change	3.7	5.0	5.4	6.1
Commercial+ind.	bil. $	577.2	592.8	610.0	624.0
loans, p. 25	% change	3.1	2.7	2.9	2.3
Raw steel	mil.sh.tons	93.1	92.4	93.4	90.2
production	% change	1.3	-.7	1.0	-3.4
Electric power	mil.kw-hr	3072	3176.4	3300.3	3438.9
production	% change	3.0	3.4	3.9	4.2
Bituminous coal	mil.sh.tons	947	956.5	960.3	973.7
production	% change	1.3	1.0	.4	1.4
Crude oil	avg. daily bbl.	2973	3032.5	3062.8	3090.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2360.2	2527.8	2712.3
p. 7	% change	5.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

+	.80%	Private housing starts
+	.52%	Unemployment
+	.03%	Capacity util.
-	.01%	GDP
-	.28%	Index Indust. Prod.
-	.28%	Autos

THE ECONOMY WILL BE STRUGGLING IN RECOVERY DURING THE FIRST HALF OF 1992. Data indicate that a definite upward trend will be emerging in the second quarter and will continue throughout the rest of the year and in 1993.

Measured in Gross Domestic Product (GDP) in constant 1987 dollars, the rates of growth are expected to be: 2.1% this year over 1991, and 2.5% in 1993 over this year.

Major factors expected to contribute to the expansion are: demand for single-family units, spending on public projects and roads from public funds, capital spending of businesses stimulated by the easy-money and credit policy of the Federal Reserve, and exports.

The unemployment rate will be declining in small margins only, due to structural changes the U.S. economy is undergoing. More significant declines in unemployment are expected to take place in 1993. Price outlook for 1992-1993 is optimistic. The 1992 rates of inflation on consumer and producer price levels will be lower than in 1991, and will accelerate somewhat in 1993--still within tolerable levels, however.

Interest rates are expected to stabilize around the current, January levels. In the second half of the year, and throughout 1993, they are predicted to resume an upward trend.

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GDP $87 bil.	Index of ind. prod. 1987=100	Unemployment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1990*	4884.9	109.2	5.51	82.3	1.193	9.5
1991:1*	4824.0	105.5	6.52	77.9	.915	8.2
2*	4840.7	107.2	6.83	77.8	.998	8.9
3P	4861.0	108.1	6.77	78.6	1.046	8.9
4	4878.2	108.0	6.82	79.4	1.073	9.1
YEAR	4851.0	107.2	6.73	78.4	1.008	8.8
% change from '90	-.7	-1.8	22.2	-4.7	-15.5	-7.6
1992:1	4902.3	109.0	6.67	79.4	1.061	9.0
2	4930.6	110.1	6.48	80.6	1.120	9.7
3	4963.5	111.8	6.22	82.0	1.214	9.8
4	5001.7	112.8	6.02	82.8	1.207	10.1
YEAR	4949.5	110.9	6.35	81.2	1.151	9.7
% change from '91	2.0	3.5	-5.8	3.5	14.1	10.0
1993:1	5034.3	113.9	5.86	83.0	1.168	9.6
2	5063.3	114.6	5.58	84.1	1.263	10.1
3	5091.4	116.3	5.43	84.2	1.302	10.3
4	5122.7	117.2	5.46	84.3	1.285	10.3
YEAR	5077.9	115.5	5.58	83.9	1.254	10.1
% change from '92	2.6	4.1	-12.1	3.3	9.0	4.4

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

PRELIMINARY DATA ON CHRISTMAS AND POST-CHRISTMAS SALES INDICATE THAT RETAILERS RECEIPTS WERE HIGHER THAN YEAR-EARLIER. Estimates for the year 1991 show retail sales higher by approximately 1.3% than in 1990.

The outlook for 1992 calls for 8.8% increase in the total of retail sales over 1991, and additional gain of 9.6% in 1993 over this year.

This year, major increase in sales is expected to take place in consumer durables, mainly those items related to housing: building materials, hardware, home furnishings, appliances, and household electronics. Increases in demand for these items are due to strong gains in construction of single-family housing expected to continue throughout this year and 1993. Demand for other consumer durables, notably cars will remain weak in most of the first half of the year. It will gain momentum in the second half of the year and afterward.

The fastest growth of consumer spending is expected to be in the services segment, mainly spending on health care, rising 11% this year, and an additional 8.5% in 1993.

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

+	.04%	Pers. Cons. Expend. Durable
+	.04%	Retail Sales Nondurable
+	.02%	Pers. Con. Expend. Nondurable
-	.05%	Pers. Con. Expend. Services
-	.08%	Retail Sales Total
-	.29%	Retail Sales Durable

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1990*	465.9	1217.7	2060.3	1807.2	654.8	1152.4
1991:1*	440.7	1246.3	2140.7	1780.1	663.4	1116.7
2*	440.0	1252.9	2215.6	1817.6	674.6	1143.0
3P	452.8	1258.9	2203.6	1850.8	685.1	1165.7
4	462.9	1270.1	2211.6	1890.0	697.4	1192.6
YEAR	449.1	1257.0	2192.9	1834.6	680.1	1154.5
% change from '90	-3.6	3.2	6.4	1.5	3.9	.2
1992:1	472.7	1278.2	2248.7	1920.1	710.5	1209.6
2	480.9	1289.3	2338.8	1948.6	731.2	1186.5
3	496.6	1303.6	2443.8	2004.4	752.3	1252.1
4	514.2	1320.7	2534.4	2109.4	770.4	1339.0
YEAR	491.1	1298.0	2391.4	1995.6	741.1	1246.8
% change from '91	9.4	3.3	9.1	8.8	9.0	8.0
1993:1	525.2	1331.7	2597.1	2137.2	807.1	1330.1
2	542.4	1344.3	2647.3	2158.9	824.3	1334.6
3	557.3	1361.5	2693.3	2196.7	836.2	1360.5
4	575.8	1378.4	2799.0	2264.9	842.4	1422.5
YEAR	550.2	1354.0	2684.2	2189.4	827.5	1361.9
% change from '92	12.0	4.3	12.2	9.7	11.7	9.2

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

**1992
FORECAST
DATA**

Percent Change
from
December 1991
Forecast

+ 2.15%	Pers. Con. Expend.
+ .01%	Federal Govt. Purch.
- .01%	State Local Purch.
- .01%	GDP
- 1.33%	Net Exports
- 9.34%	Gross Private Dom. Invest.

FORECAST DATA ON GDP IN CONSTANT 1987 DOLLARS POINT TO CAPITAL SPENDING OF BUSINESSES AND HOME CONSTRUCTION TO BE THE FASTEST GROWING COMPONENTS. Business capital outlays are expected to increase by 5.6% this year over the last year, inflation adjusted. The main items are machinery and equipment while investment in buildings will remain weak. In 1993, business capital outlays are predicted to increase by an additional 5.2%, inflation adj.

In the second fastest growing component, residential construction, single family housing will be leading. Data for apartment housing show a continuous weakness with more vigor in 1993.

Forecast data indicate that net exports will be increasingly in the red, due to imports which will grow faster than exports in both forecast years. However, the rate in which the negative side will be increasing, is expected to remain within tolerable limits.

The outlook for consumer spending calls for moderate and continuous increases in both forecast years. Those Federal expenditures which are included in GDP are predicted to remain essentially flat this year and increasing only marginally in 1993. State and local spending will be increasing in small margins throughout both forecast years.

TABLE 1.13
REAL GDP
Quarterly data are seasonally adjusted at annual rates.

	------------Gross Domestic Product----------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$87 bil.	$87 bil.	$87 bil.	$87 bil.	$87 bil.	$87 bil.
Year & Qtr.						
1990*	4884.9	3262.6	744.5	-51.3	380.9	548.2
1991:1*	4824.0	3241.2	657.0	-18.6	391.7	552.7
2*	4840.7	3252.3	656.3	-12.3	392.7	551.7
3P	4861.0	3270.6	687.6	-32.3	384.1	551.0
4	4878.2	3285.6	691.7	-33.1	382.0	552.0
YEAR	4851.0	3262.4	673.1	-24.1	387.6	551.9
% change from '90	-.7	-.0	-9.6	-53.1	1.8	.7
1992:1	4902.3	3292.4	707.8	-35.2	384.2	553.1
2	4930.6	3318.5	710.3	-38.2	383.6	556.4
3	4963.5	3343.2	720.6	-40.6	381.1	559.2
4	5001.7	3386.2	726.1	-46.7	374.4	561.7
YEAR	4949.5	3335.1	716.2	-40.2	380.8	557.6
% change from '91	2.0	2.2	6.4	66.9	-1.8	1.0
1993:1	5034.3	3400.8	731.4	-40.2	379.2	563.1
2	5063.3	3418.4	738.5	-39.4	380.4	565.4
3	5091.4	3432.6	746.2	-37.8	383.2	567.2
4	5122.7	3443.0	756.8	-32.7	386.1	569.5
YEAR	5077.9	3423.7	743.2	-37.5	382.2	566.3
% change from '92	2.6	2.7	3.8	-6.6	.4	1.6

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

+ .04%	State Local Purch.
- .02%	GDP
- .04%	Federal Govt. Purch.
- .06%	Consumer Price Index
- .10%	Producer Price Index
- 2.28%	Personal Cons. Expend.

FORECAST DATA CALL FOR MODERATE INFLATION AT CONSUMER AND PRODUCER LEVELS. This year, consumer inflation is expected to be 3.0%, compared to last year's 3.8%. For 1993, the forecast figure is somewhat higher--3.7%. At the producer price level, data indicate a 4.0% rise this year with 4.6% more in 1993.

Forecast data supporting the moderate trend in price increases are as follows:
* international prices of crude materials and energy are expected to be flat this year and increasing only marginally in the following year
* wage increases in existing and expected contracts do not point to excessive hikes
* due to relatively high unemployment in some segments of the economy predicted for this year and next, there will be no significant shortages in the labor market, and, therefore, no strong upward pressures in the wage-component of costs
* forecast data on prices of food and food-related products suggest moderate hikes throughout the forecast period.

Forecast data on the international price of the dollar indicate weakness will prevail most of this year which will benefit exports but will push up prices of imported goods and services. The dollar is expected to regain some strength in 1993.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1990*	130.7	119.2	112.9	114.8	111.6	112.7
1991:1*	134.8	121.3	115.9	118.2	115.3	115.3
2*	135.4	121.9	117.6	120.2	115.1	116.1
3P	136.1	122.4	117.4	119.7	115.8	116.8
4	136.6	123.1	117.8	120.0	116.0	118.0
YEAR	135.7	122.2	117.2	119.5	115.5	116.5
% change from '90	3.8	2.5	3.8	4.1	3.5	3.4
1992:1	137.1	124.2	118.8	121.4	117.8	118.8
2	138.2	125.8	120.6	123.8	118.8	119.7
3	140.5	127.6	122.9	126.9	119.4	120.9
4	142.0	129.2	124.6	129.0	120.3	121.4
YEAR	139.4	126.7	121.7	125.3	119.1	120.2
% change from '91	2.7	3.7	3.9	4.8	3.1	3.1
1993:1	143.0	130.1	126.0	131.0	122.5	122.8
2	144.2	131.2	127.3	132.6	123.6	124.2
3	146.1	133.0	128.6	134.4	125.0	126.0
4	147.0	135.4	131.0	138.1	126.1	127.0
YEAR	145.1	132.4	128.2	134.0	124.3	125.0
% change from '92	4.0	4.5	5.3	7.0	4.4	4.0

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*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change from December 1991 Forecast

0.00%	Net Exports
- .07%	Federal Govt. Purch.
- .00%	Gross Private Dom. Invest.
- .01%	Pers. Cons. Expend.
- .01%	GDP
- .02%	State Local Purch.
- .07%	Federal Govt. Purch.

FORECAST DATA ON NET EXPORTS ARE MORE DISAPPOINTING WHEN COMPARED TO THOSE IN CONSTANT 1987 DOLLARS. The reason is that increases in prices of imports are expected to grow faster than those in prices of exports, due to weak international value of the dollar, which will prevail this year and will improve only marginally in 1993.

Data on components of GDP in current dollars suggest analogous trends developing in the 1992-1993 period as already described in Section 1.13 Real GDP on page 8.

In both forecast years, the largest gains are expected to be nonresidential construction, notable in its machinery and equipment segment, and in the single-family construction components.

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross Domestic Product					
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	5515.1	3743.9	802.6	-74.4	425.1	617.8
1991:1*	5591.0	3829.6	709.3	-36.8	451.6	637.3
2*	5692.7	3908.5	708.8	-17.2	452.0	640.5
3P	5706.8	3915.3	742.0	-38.8	444.8	643.6
4	5746.5	3944.6	750.6	-43.2	443.1	651.4
YEAR	5684.3	3899.5	727.7	-34.0	447.9	643.2
% change from '90	3.1	4.2	-9.3	-54.3	5.4	4.1
1992:1	5823.9	3999.6	757.4	-42.7	452.6	657.1
2	5946.3	4109.0	762.6	-47.0	455.7	666.0
3	6100.1	4244.0	773.1	-48.1	455.0	676.1
4	6232.1	4369.3	780.2	-49.7	450.4	681.9
YEAR	6025.6	4180.5	768.3	-46.9	453.4	670.3
% change from '91	6.0	7.2	5.6	-13.7	1.2	4.2
1993:1	6343.2	4454.0	781.4	-48.2	464.5	691.5
2	6445.6	4534.0	788.6	-49.4	470.2	702.2
3	6547.5	4612.1	791.3	-49.5	479.0	714.7
4	6710.7	4753.2	794.5	-47.1	486.9	723.3
YEAR	6511.8	4588.3	789.0	-48.5	475.1	707.9
% change from '92	8.1	9.8	2.7	3.6	4.8	5.6

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

+ .07%	Unemployment
0.00%	Agriculture
- .02%	Civilian Labor Force
- .06%	Nonagriculture
- .06%	Total Employed
- .39%	Population

FORECAST DATA SHOW THAT THE UNEMPLOYMENT RATE WILL REMAIN STUBBORNLY HIGH AND WILL KEEP DECLINING IN SMALL INCREMENTS ONLY. Declines will be more significant in 1993.
Data suggest that main reasons for the uncomfortably high unemployare structural changes in which many segments of the economy will continue to be caught in the foreseeable future. These are structural changes related to the transition of defense and defense-related setments of industries, and by technological changes the economy is currently experiencing.
For 1992, the fastest declines in unemployment are expected to be in the durable goods segments of manufacturing, notably fabricated metal products and machinery, due to strong demand for machinery and equipment--capital outlays of businesses, and the lumber and products, stone, clay and glass industries due to increasing demand for building materials.
In the construction industry, employment gains are expected to be in its single-family and public projects segments, while the apartment and nonresidential construction will remain weak.
In the services segment, affected harshly by last year's downturn, problems are expected to persist in the airline passenger transportation, hotels and restaurants, travel, entertainment, government services, and real estate.
On the other hand, health and health-related services are expected to continue to be the major supplier of new jobs.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	Employment			Unemployment rate
			Total	Agricult.	Non-agric.	
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1990*	260.9	124.8	117.9	3.2	114.7	5.51
1991:1*	262.6	124.0	115.9	3.2	112.7	6.52
2*	263.1	125.1	116.6	3.2	113.4	6.83
3P	264.2	126.3	117.7	3.2	114.5	6.77
4	262.4	127.3	118.6	3.2	115.4	6.82
YEAR	263.1	125.7	117.5	3.2	114.3	6.73
% change from '90	.8	.7	-.7	0.0	-.3	22.2
1992:1	266.0	127.6	119.1	3.2	115.9	6.67
2	266.4	128.1	119.8	3.2	116.6	6.48
3	267.0	128.3	120.3	3.2	117.1	6.22
4	267.9	129.2	121.4	3.2	118.2	6.02
YEAR	266.8	128.3	120.2	3.2	117.0	6.35
% change from '91	1.4	2.1	2.2	0.0	2.3	-5.8
1993:1	269.8	130.4	122.8	3.2	119.6	5.86
2	270.3	131.3	124.0	3.2	120.8	5.58
3	271.2	132.1	124.9	3.2	121.7	5.43
4	272.1	134.8	127.4	3.2	124.2	5.46
YEAR	270.9	132.2	124.8	3.2	121.6	5.58
% change from '92	1.5	3.0	3.4	0.0	3.9	-12.05

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

+ 4.90%	1-family housing existing
- 1.26%	Single family housing starts
- 2.01%	Mobile home shipments
- 2.61%	Permits issued
- 6.08%	Multiple Family housing starts
- 8.27%	1-family housing existing

FORECAST DATA FOR SINGLE-FAMILY HOUSING ARE OPTIMISTIC AND INDICATE A SIGNIFICANT REBOUND WILL TAKE PLACE IN THE SECOND QUARTER AND AFTERWARD.

Data also indicate that the November decline in housing starts was just a temporary aberration of the trend.

Data for multi-family starts are not encouraging. Weakness is expected to prevail this year. In 1993 some improvement is predicted, not too strong, however.

Forecast for mobile homes shipments points to small but presistent increases throughout both forecast years.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1990*	.895	.298	.188	1.111	149.0	118.3
1991:1*	.726	.189	.167	.840	152.3	122.1
2*	.863	.167	.170	.964	147.2	127.8
3	.878	.168	.175	.986	148.7	131.9
4	.902	.171	.170	1.020	149.9	133.9
YEAR	.842	.174	.171	.953	149.5	128.9
% change from '90	-5.9	-41.7	-9.3	-14.3	.4	9.0
1992:1	.899	.162	.167	.988	150.2	134.2
2	.939	.181	.201	.998	154.8	137.9
3	.994	.220	.206	1.180	160.2	140.1
4	.976	.231	.172	1.130	165.3	142.2
YEAR	.952	.199	.186	1.074	157.6	138.6
% change from '91	13.0	14.2	9.4	12.8	5.4	7.5
1993:1	.944	.224	.190	.981	167.3	144.2
2	.988	.275	.204	.998	170.2	147.3
3	.996	.306	.208	1.127	175.3	148.7
4	.987	.298	.201	1.106	178.4	1419.6
YEAR	.979	.276	.201	1.053	172.8	464.9
% change from '92	2.8	38.9	7.6	-2.0	9.6	235.5

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

THE 1992 DATA SUGGEST THE PASSENGER CAR SEGMENT OF THE AUTOMOBILE INDUSTRY WILL SHOW CONTINUOUS WEAKNESS IN THE FIRST HALF OF THE YEAR.

The market for cars is expected to regain more vigor in the second half of 1992. On the other hand, data on markets for light-duty trucks, jeeps, vans, recreational vehicles and other vehicles of this category point to a continuous good performance in both forecast years.

Data indicate that the automobile industry will get out of the worst this year. The forecast for profits suggest that this year, the industry as a whole will break even, compared to the estimated $6.5 billion loss of the last year.

Forecast for 1993 indicates that the share of domestically produced cars will increase somewhat, compared to this year's expected share.

In 1993 the number of imported cars is expected to remain flat while the number of cars shipped from domestic plants and domestically sold will keep increasing.

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

0.00%	Imported Car Sales
0.00%	Dealer Inventory
- .28%	Total Car Sales
- .40%	Domestic Car Sales
- 2.02%	Shipments
- 2.86%	Light Truck Sales

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1990*	9.5	6.9	2.6	1.4	6.6	3.7
1991:1*	8.2	6.0	2.2	1.3	6.0	3.2
2*	8.9	6.2	2.7	1.4	6.1	3.5
3P	8.8	6.1	2.8	1.4	6.2	3.5
4	9.1	6.4	2.7	1.5	6.0	3.4
YEAR	8.8	6.2	2.6	1.5	6.1	3.4
% change from '90	-7.6	-10.5	0.0	7.1	-8.0	-8.1
1992:1	9.0	6.2	2.8	1.6	6.1	3.6
2	9.7	6.8	2.9	1.6	6.3	3.8
3	9.8	6.7	3.1	1.7	6.5	4.2
4	10.1	7.0	3.1	1.7	6.7	3.9
YEAR	9.7	6.7	3.0	1.7	6.4	3.9
% change from '91	10.0	8.1	14.4	13.3	5.3	14.0
1993:1	9.6	6.4	3.2	1.7	6.8	4.1
2	10.2	6.8	3.3	1.8	7.0	4.3
3	10.8	7.0	3.3	1.7	7.1	4.5
4	10.7	6.9	3.4	1.8	7.2	4.5
YEAR	10.1	6.8	3.3	1.8	7.0	4.3
% change from '92	4.4	1.5	10.9	5.9	9.8	12.3

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

+ .72%	Federal Surplus Deficit
+ .48%	State Surplus Deficit
0.00%	Corporate Profit Tax Accrued
- .16%	State Income Tax
- .47%	Federal Income Tax
- .56%	State Corporate Tax Accrued

DATA CALL FOR THE YEAR 1992 AS THE YEAR OF THE RECORD FEDERAL BUDGET DEFICIT, AND 1993 AS THE START OF GRADUAL, PERSISTENT DECLINES.

Forecast data for Federal and State and Local Budgets have been changed when compared to the December 1991 forecast. Though it is difficult at the time of this release to predict the measures that will be announced in the January Presidential Address, and even more difficult to predict the outcome of the negotiations between the Administration and Congressional leaders, it is anticipated that the accepted measures will not significantly affect the volume of Federal budget expenditures and receipts.

Data on surpluses of the total of state and local budgets suggest continuous increases throughout the forecast period.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	FEDERAL			STATE AND LOCAL		
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	492.8	108.5	-166.0	206.6	23.6	35.4
1991:1*	501.3	98.2	-166.9	213.3	20.1	30.0
2P	499.8	97.1	-187.6	217.8	20.7	38.6
3	508.2	96.2	-197.9	218.9	23.4	38.8
4	512.3	98.5	-205.8	223.0	24.5	39.7
YEAR	505.4	97.5	-189.6	218.2	22.2	36.8
% change from '90	2.6	-10.1	14.2	5.6	-6.0	3.9
1992:1	530.5	101.4	-208.2	227.2	26.1	40.3
2	540.1	105.7	-219.6	230.1	27.1	41.5
3	558.7	110.4	-218.0	236.5	30.2	42.7
4	570.4	115.2	-219.5	240.2	33.8	43.0
YEAR	549.9	108.2	-216.3	233.5	29.3	41.9
% change from '91	8.8	10.9	14.1	7.0	32.1	13.9
1993:1	584.2	120.6	-208.6	250.6	34.4	44.5
2	594.5	127.2	-208.2	262.2	35.0	46.2
3	604.5	130.1	-198.3	276.5	36.1	48.2
4	619.7	134.5	-164.7	281.4	37.6	50.8
YEAR	600.7	128.1	-194.9	267.7	35.8	47.4
% change from '92	9.2	18.4	-9.9	14.6	22.1	13.3

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

+14.17%	Corporate After Tax Profit
+ .02%	Average Weekly Savings
+ .01%	Personal Savings
+ .01%	Comp. of Employees
- .01%	Personal Disp. Income
- .06%	Personal Income

PERSONAL INCOME AND MOST OF ITS COMPONENTS ARE EXPECTED TO CONTINUE INCREASING IN MODERATE AND PERSISTENT MARGINS THROUGHOUT THE FORECAST PERIOD.

Its important component--interest income is forecasted to keep declining for the most of the year, level off to the end of the year, and resume the upward trend in 1993. Forecast of corporate earnings for the economy as a whole is optimistic for both forecast years. In total, corporate after-tax profits in 1992 are expected to continue increasing at a healthy pace. However, uneven earning will prevail. Some industries will show significant improvement while others will be in the red. When compared to 1991, data indicate significant improvements in banking, autos, oil, steel, paper, computers, instruments, technology, airline cargo, trucking, railroads, retail trade, lumber and products, and 1-family construction segments and industries. On the other side of the ladder are, especially passenger airlines, parts of insurance, travel, hotels, and nonresidential construction. More even earnings and profits are expected in the next year.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1990*	4649.9	3950.5	3301.5	197.0	206.6	443.5
1991:1*	4757.6	4043.0	3428.1	189.7	213.4	449.1
2*	4855.7	4138.1	3442.8	182.7	229.6	456.3
3P	4855.2	4128.1	3418.9	189.9	212.8	463.8
4	4896.6	4161.3	3500.2	191.2	216.7	464.4
YEAR	4841.3	4117.6	3447.5	188.4	218.1	458.4
% change from '90	4.1	4.2	4.4	-4.4	5.6	3.4
1992:1	5148.4	4390.7	3609.8	192.4	220.2	468.5
2	5282.0	4511.8	3698.4	196.7	224.2	473.9
3	5452.7	4657.5	3789.5	197.1	228.1	476.4
4	5598.0	4787.4	3812.2	201.3	226.5	483.9
YEAR	5370.3	4586.8	3727.5	196.9	224.8	475.7
% change from '91	10.9	11.4	8.1	4.5	3.0	3.8
1993:1	5698.9	4864.1	3917.1	204.4	212.6	485.9
2	5820.7	4964.0	3998.3	210.2	227.6	489.7
3	5932.4	5051.4	4073.6	214.7	232.2	494.2
4	6110.0	5208.9	4169.7	220.2	243.3	499.7
YEAR	5890.5	5022.1	4039.7	212.4	228.9	492.4
% change from '92	9.7	9.5	8.4	7.9	1.9	3.5

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1992
FORECAST
DATA

Percent Change
from
December 1991
Forecast

+ .77%	Consumer Install. Credit
+ .19%	Consumer industrial loans
+ .06%	Consumer demand deposits
- .03%	Time deposits
- 1.19%	Mortg. at all holders
- 1.84%	Large denom. time deposits

DATA ON CERTIFICATES OF DEPOSIT POINT TO CONTINUOUS WEAKNESS THIS YEAR AND SOME SLIGHT INCREASES IN VOLUME TRADED IN 1993.

Money Supply M1 is expected to grow at fast rates throughout this year. Contrary to that, the growth of money supply M2 will continue its anemic pace. It will accelerate significantly in the following year.

Forecast data point to markets for Federal securities and corporate bonds and equities to be the fastest growing in 199[illegible], due to record needs to finance Federal budget deficits, and a strong demand for capital to finance business capital outlays.

Data on markets for residential mortgages point to moderate and continuous increases in volumes starting the second quarter, after which the refinancing stampede will scale down.

Consumer credit is expected to regain strength in the second half of the year and afterwards, mainly due to gains in auto loans.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures: other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	812.2	3293.2	748.3	577.2	533.9	3857.7
1991:1*	830.2	3371.6	725.5	578.1	536.0	3876.7
2*	851.2	3385.4	728.3	580.9	541.4	3925.1
3	865.4	3392.0	730.2	581.4	538.1	3972.4
4	873.6	3404.2	735.7	583.1	533.1	4001.7
YEAR	855.1	3388.3	735.7	583.1	533.1	4001.7
% change from '90	5.3	2.9	-1.7	5.3	-.1	3.7
1992:1	882.7	3430.1	734.5	585.2	630.4	4051.6
2	896.5	3470.2	744.2	590.6	531.2	4147.7
3	902.2	3531.0	755.3	596.4	534.4	4209.3
4	908.8	3600.4	753.4	600.9	538.1	4204.5
YEAR	897.5	3507.9	753.4	600.9	538.1	4204.5
% change from '91	5.0	3.5	2.4	3.1	.9	5.1
1993:1	913.2	3652.8	783.7	603.2	580.5	4275.6
2	918.3	3701.2	788.5	607.3	600.2	4306.4
3	927.4	3768.1	798.9	611.3	603.9	4363.2
4	931.5	3861.5	808.0	617.5	606.7	4408.2
YEAR	922.6	3745.9	808.0	617.5	606.7	4408.2
% change from '92	2.8	6.8	7.2	2.8	12.7	4.8

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

DATA ON FINANCIAL MARKETS INDICATE CONTINUOUS INCREASES IN PRICES OF STOCKS AND BONDS THROUGHOUT THIS YEAR AND SLOWING DOWN IN 1993.

Forecast data for the first half of this year indicate interest rates will remain at the approximate levels of December 1991. No significant upward or downward movements are expected to take place during that time. In the second half of this year and in 1993 rates are expected to keep increasing gradually.

KEDI forecast data suggest that in the second half of this year the economy will definitely be on a recovery track and will not require the stimulation of low interest rates. It is anticipated that the other industrialized countries will continue in their policies of keeping high interest rates as a tool in fighting inflation, and will not follow the U.S. lead with significant decreases in their rates. As a result, a substantial gap between the U.S. and overseas' interest rates is anticipated, which cannot hold for a longer time. Therefore, the forecast calls for gradual "baby steps" in U.S. interest rates to more closely approach the world levels. It is expected that the Federal Reserve will initiate this upward movement in interest rates in the middle of this year.

1992
FORECAST
DATA

Percent Change from December 1991 Forecast

+ .63%	Aaa Corp. bonds
- .06%	S & P's 500 Avg.
- .22%	Conv. mortg. rate
- .40%	30 yr govt. bond yield
- .63%	Prime Rate
- 1.93%	Treasury bills 3 mo.. yield

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1990*	7.51	10.00	9.78	9.32	8.55	334.59
1991:1*	5.97	8.84	9.34	8.80	8.19	370.72
2*	5.59	8.50	9.31	8.62	8.39	379.70
3*	5.41	8.40	9.10	8.75	8.15	385.61
4	4.41	7.53	8.53	8.77	7.70	394.92
YEAR	5.34	8.32	9.07	8.73	8.11	382.74
% change from '90	-28.8	-16.8	-7.3	-6.3	-5.2	14.4
1992:1	3.82	6.50	8.19	8.74	7.58	408.20
2	3.92	6.74	8.28	8.82	7.70	408.10
3	4.10	6.94	8.32	9.03	7.74	411.46
4	4.69	7.21	8.70	9.17	7.92	413.47
YEAR	4.13	6.85	8.37	8.94	7.74	410.31
% change from '91	-22.7	-17.7	-7.7	2.3	-4.6	7.2
1993:1	4.94	7.69	9.01	9.26	8.06	417.62
2	5.13	7.85	9.23	9.34	8.11	412.31
3	5.29	8.04	9.53	9.30	8.08	424.72
4	5.58	8.26	9.75	9.29	8.04	430.24
YEAR	5.24	7.96	9.38	9.30	8.07	421.22
% change from '92	26.7	16.2	12.0	4.0	4.4	2.7

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue Car Sales has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from actual data for January-November 1991, communicated by the U. S. Department of Commerce, and preliminary estimate for December 1991.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Car Sales (mil. units)
Actual figure: 8.7

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	10.4	+19.5
Manufacturers Hanover Trust, NY	12/90	9.6	+10.3
Valley National Bank, AR	11/90	8.9	+ 2.3
Metropolitan Life, NY	12/90	9.8	+12.6
Shearson Lehman, NY	12/90	10.1	+16.1
K.E.D.I., Inc, OH	12/90	10.1	+16.1
Fidelity Bank, PA	12/90	10.2	+17.2
Lloyds Bank, NY	12/90	9.6	+10.3
Morgan Guaranty, NY	12/90	9.7	+11.5
National City Bank, OH	12/90	9.4	+ 8.0
John Hancock, MA	12/90	9.1	+ 4.6
Brown Bros, Marriman, NY	12/90	9.6	+10.3

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin**, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production**, G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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SOURCES:

The U. S. Department of Commerce third quarter 1991 GDP estimates of National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, January 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Look for slight increases in the rates of growth in the second half of this year and in 1993 resulting from tax- and spending cuts.

Prices

Consumer prices are forecast for moderate developments through 1992 and 1993.

Employment & Labor

The unemployment rate rose in December to a seas. adj. 7.1% from 6.9% in November. It is the highest since June 1986.

Housing

Propelled by falling interest rates, housing starts in December rose to a seas. adj. 1.103 mil. units from 1.075 mil. in November.

Automobiles

Sales of domestic cars remained sluggish in mid-January, while U.S. produced Japanese cars maintained a brisk pace.

Budgets

Pres. Bush's Address could result in small immediate effects of stimulating personal outlays and increasing employment.

Income

Data on personal income and components for 1992 and 1993 point to small increases in 1992, accelerating somewhat in 1993.

Money & Credit

Look for small increases in Consumer Credit in 1992, picking up somewhat in the second half mainly due to increased auto loans.

Interest Rates, Yields & Securities Prices

Look for interest rates to remain low through the first half of this year picking up gradually thereafter.
down in 1993.

0.02 ASSUMPTIONS

		Update
1.	In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2.	Monetary and credit policies are expected to tighten in the last quarter of 1992 and afterward.	December 1991
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the February 1992 KEDI forecast.	
*	Growth will accelerate in the second half of 1992.	January 1992
*	The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	In the second half of 1992 interest rates will be increasing.	October 1991
*	Federal budget deficits will keep declining in 1993 and the following years.	July 1991
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1991, 1992 and 1993 are on pages indicated below.

Indicator	Unit	1990	1994	1995	1996
Gross domestic	bil. 87$	4884.9	5220.0	5371.4	5537.9
product, p. 5	% change	1.8	2.8	2.9	3.1
Index of indust.	1987=100	108.3	117.9	121.8	125.9
prod., p. 5	% change	1.4	2.6	3.3	3.4
Capacity	%	82.0	83.5	83.0	82.3
utiliz., p. 5	% change	-.9	.2	-.6	-.8
Unemployment	%	5.5	6.0	82.3	1.2
rate, p. 5	% change	.8	.1	-1.2	-1.1
Private housing	mil.units	1.2	1.3	1.2	1.3
starts, p. 5	% change	-6.3	4.1	-5.8	4.7
Car sales,	mil.units	9.5	10.3	10.6	11.0
p. 5	% change	-5.0	3.2	2.8	4.0
Implicit GDP	1987=100	112.9	131.1	136.0	140.5
price def.,p.11	% change	4.1	3.8	3.7	3.3
Consumer Price	82-84=100	130.7	149.8	155.2	161.1
Index, p. 11	% change	4.8	3.7	3.6	3.8
Prod.Price Index	1982=100	119.4	137.5	143.0	148.6
(fin.goods),p.11	% change	5.1	4.9	4.0	3.9
Federal Deficit	bil. $	-194.6	-169.5	-134.9	-109.4
p. 21	% change	-8.4	-17.9	-20.4	-18.9
Personal Income	bil. $	4679.8	6241.4	6715.7	7266.4
p. 23	% change	6.7	7.8	7.6	8.2
Prime Rate	%	10.0	7.6	8.1	8.8
p. 27	% change	-3.5	-3.6	7.0	8.0
Mortgage Rate	%	9.8	9.8	10.1	9.9
p. 27	% change	-2.4	5.0	2.7	-1.8
Currency+demand	bil. $	811.6	976.5	1029.3	1092.0
deposits , p. 25	% change	3.7	5.0	5.4	6.1
Commercial+ind.	bil. $	577.2	592.8	610.0	624.0
loans, p. 25	% change	3.1	2.7	2.9	2.3
Raw steel	mil.sh.tons	93.1	92.4	93.4	90.2
production	% change	1.3	-.7	1.0	-3.4
Electric power	mil.kw-hr	3072	3176.4	3300.3	3438.9
production	% change	3.0	3.4	3.9	4.2
Bituminous coal	mil.sh.tons	947	956.5	960.3	973.7
production	% change	1.3	1.0	.4	1.4
Crude oil	avg. daily bbl.	2973	3032.5	3062.8	3090.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2263.2	2423.8	2600.8
p. 7	% change	5.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ 1.88%	Private housing starts
+ 1.08%	Unemployment
- .03%	Index Indust. Prod.
- .05%	GDP
- .26%	Capacity Util.
- .85%	Autos

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

LOOK FOR SLIGHT INCREASES IN THE RATES OF GROWTH IN THE SECOND HALF OF THIS YEAR AND IN 1993 RESULTING FROM TAX- AND SPENDING ADJUSTMENTS.

Though it is difficult to predict what will happen in Congress after the President's State of the Union Address, it is anticipated that the Administration's proposals on tax- and spending adjustments will not be altered significantly.

Forecast data which include the anticipated tax- and spending adjustments do not change anything substantial on the direction of growth of the U.S. economy this and next year as advocated in KEDI's forecasts presented in past months:

1992:1 - flat
1992:2 - more rebound foreseen
1992:3&4 - growth accelerates
1993 - continuous growth at
fairly good rates

Long term forecast data indicate that the U. S. economy will remain, for a long time, caught in two kinds of problems--one resulting from the undergoing structural changes in the economy, and the other resulting from reductions in defense spending and related upward trends in the number of unemployed.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GDP	Index of ind. prod.	Unem-ployment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$87 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1990*	4884.9	109.2	5.51	82.3	1.193	9.5
1991:1*	4824.0	105.5	6.52	77.9	.915	8.2
2*	4840.7	107.2	6.83	77.8	.998	8.9
3P	4861.0	108.1	6.77	78.6	1.049	8.9
4	4869.3	107.9	6.97	78.5	1.113	8.9
YEAR	4848.8	107.2	6.77	78.2	1.019	8.7
% change from '90	-.7	-1.9	22.9	-5.0	-14.6	-8.2
1992:1	4894.1	108.1	6.95	79.0	1.111	8.9
2	4931.6	109.3	6.78	79.6	1.160	9.4
3	4965.5	110.9	6.62	80.7	1.230	9.8
4	5001.7	112.0	6.48	82.0	1.216	10.0
YEAR	4948.2	110.1	6.71	80.3	1.179	9.5
% change from '91	2.1	2.7	-1.0	2.7	15.8	9.2
1993:1	5034.0	113.1	6.14	82.6	1.178	9.6
2	5063.3	114.2	6.08	83.1	1.265	9.9
3	5091.4	115.4	5.93	83.5	1.298	10.1
4	5122.7	116.8	5.86	84.0	1.285	10.3
YEAR	5077.9	114.9	6.00	83.3	1.256	10.0
% change from '92	2.6	4.4	-10.5	3.7	6.6	4.7

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ .16%	Retail Sales Nondurable
0.00%	Retail Sales Total
- .10%	Pers. Con. Expend. Nondurable
- .14%	Pers. Con. Expend. Services
- .16%	Pers. Con. Expend. Durable
- .26%	Retail Sales Durable

FORECAST DATA FOR THIS YEAR POINT TO POSITIVE DEVELOPMENTS MAINLY IN THE SECOND HALF OF THIS YEAR AND IN 1993.

For 1991, retail sales edged up only .7%, the smallest increase in 30 years. In December, sales fell to $151.2 bil. from the November $151.7 bil., seas. adj., showing that holiday sales were not as great, though higher than year-earlier, as anticipated.

For 1992, total retail sales are expected to grow by 6.2%, significantly above the estimated 1.5% in 1991 over 1990.

The retail sales turnaround is expected to start in the second quarter of this year, mainly in consumer durables related to housing, parts of motor vehicles, and hardware.

Department store sales are predicted gaining significantly in the second half of the year. Out of the total of consumer outlays, the fastest growing are predicted those on services, mainly services related to health care, education, and maintenance and repairs.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	*--Personal Cons. Expend.-**			------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1990*	465.9	1217.7	2060.3	1807.2	654.8	1152.4
1991:1*	440.7	1246.3	2140.7	1780.1	663.4	1116.7
2*	440.0	1252.9	2215.6	1817.6	674.6	1143.0
3P	452.8	1258.9	2203.6	1850.8	685.1	1165.7
4	460.1	1265.1	2199.1	1890.1	690.2	1199.9
YEAR	448.4	1255.8	2189.7	1834.6	678.3	1156.3
% change from '90	-3.8	3.1	6.3	1.5	3.6	.3
1992:1	464.3	1278.4	2233.0	1900.1	700.5	1199.6
2	470.1	1289.3	2314.1	1928.1	721.2	1186.5
3	486.1	1313.6	2386.3	1941.6	732.0	1209.6
4	504.2	1338.7	2424.5	1991.4	750.4	1241.0
YEAR	481.2	1305.0	2339.5	1940.3	726.0	1209.2
% change from '91	7.3	3.9	6.8	5.8	7.0	4.6
1993:1	511.2	1361.7	2507.4	2027.1	772.1	1255.0
2	522.3	1384.5	2508.9	2068.9	804.3	1264.6
3	537.3	1391.7	2569.5	2106.7	816.2	1290.5
4	555.2	1398.4	2689.1	2194.9	822.1	1372.8
YEAR	531.5	1384.1	2568.7	2099.4	803.7	1295.7
% change from '92	10.5	6.1	9.8	8.2	10.7	7.2

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

THE MOST OPTIMISTIC FORECASTERS EXPECT GDP TO GROW BY APPROXIMATELY 2.5% THIS YEAR OVER 1991 WHEREAS THE PESSIMISTS' FIGURE IS AROUND 1.5%.

Compared to the forecasts of GDP presented abundantly in December 1991 and January 1992 issues of professional journals, KEDI's forecast which includes the anticipated tax- and spending adjustments, is close to the median.

KEDI's forecast calls for the 2.1% growth this year and 2.5% in 1993.

The main increases in GDP are expected to take place in the second half of this year when most industries will be back on the road of solid recovery, and consumer spending will return to more normal patterns of 1989.

Significant contributions to the growth of GDP in 1992 are expected to be those in the segment of residential construction, and business capital spending--mainly on machinery and equipment.

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ .08%	Gross Private Dom. Invest.
+ .01%	Federal Govt. Purch.
+ .01%	State Local Purch.
- .05%	GDP
- .12%	Pers. Con. Expend.
- 5.29%	Net Exports

TABLE 1.13
REAL GDP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross Domestic Product---------------*					
	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1990*	4884.9	3262.6	744.5	-51.3	380.9	548.2
1991:1*	4824.0	3241.2	657.0	-18.6	391.7	552.7
2*	4840.7	3252.3	656.3	-12.3	392.7	551.7
3P	4861.0	3270.6	687.6	-32.3	384.1	551.0
4	4869.3	3269.3	693.7	-28.1	382.0	552.4
YEAR	4848.8	3258.3	673.6	-22.8	387.6	552.0
% change from '90	-.7	-.1	-9.5	-55.5	1.8	.7
1992:1	4894.1	3284.0	701.8	-29.1	384.2	553.2
2	4931.6	3319.6	707.2	-35.2	383.6	556.4
3	4965.5	3348.2	715.6	-38.6	381.1	559.2
4	5001.7	3374.1	726.1	-42.7	382.5	561.7
YEAR	4948.2	3331.5	712.7	-36.4	382.9	557.6
% change from '91	2.1	2.2	5.8	59.5	-1.2	1.0
1993:1	5034.0	3396.6	731.2	-40.1	383.2	563.1
2	5063.3	3412.4	740.5	-39.4	384.4	565.4
3	5091.4	3430.8	747.2	-37.8	384.0	567.2
4	5122.7	3444.0	758.8	-32.7	383.1	569.5
YEAR	5077.9	3420.9	744.4	-37.5	383.7	566.3
% change from '92	2.6	2.7	4.5	3.0	.2	1.6

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+	.04%	State Local Purch.
+	.04%	Federal Govt. Purch.
+	.02%	Pers. Cons. Expend.
-	.02%	GDP
-	.20%	Producer Price Index
-	.11%	Consumer Price Index

CONSUMER PRICES ARE FORECAST FOR MODERATE DEVELOPMENTS THROUGH 1992 AND 1993.

The most volatile items in the CPI are prices of food and energy which will increase within tolerable levels during the entire forecast period. In the CPI, the fastest growing items are expected to be prices for medical and hospital care. Forecast data indicate prices of health care services in 1992 are predicted to be 8.7% above the 1991 level. In 1993 they are expected to grow by another 9.1% over 1992.

In December, Producer Price Index fell two-tenths of 1 percent, after having risen .2% in November and .7% in October. For 1991, PPI for finished goods declined by -.1% compared to 1990. The Consumer Price Index rose .3% in December. For 1991, it was 3.1% above the 1990 level.

Forecast data for PPI for Finished Goods in 1992 call for moderate developments, since world prices of imported crude materials are expected to remain flat, except slight increases in prices of oil, and the recovery of domestic industries will not reach the levels which will rekindle the upward pressures on prices of domestic supplies.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1990*	130.7	119.8	112.9	114.8	111.6	112.7
1991:1*	134.8	121.3	115.9	118.2	115.3	115.3
2*	135.4	121.9	117.6	120.2	115.1	116.1
3P	135.9	122.2	117.4	119.7	115.8	116.8
4	136.1	122.4	117.8	120.0	116.0	118.0
YEAR	135.6	122.0	117.2	119.5	115.5	116.5
% change from '90	3.7	1.8	3.8	4.2	3.5	3.4
1992:1	136.5	123.2	118.7	121.0	117.1	118.8
2	137.7	124.6	120.1	122.7	118.3	119.7
3	139.1	126.0	122.0	125.0	119.4	120.9
4	141.2	127.2	123.1	126.8	120.3	121.4
YEAR	138.6	125.2	121.0	123.9	118.8	120.2
% change from '91	2.3	2.7	3.2	3.6	2.8	3.1
1993:1	142.8	128.4	124.8	129.1	122.0	122.8
2	143.9	129.6	125.1	129.5	123.1	124.2
3	145.0	132.0	126.5	131.1	124.8	126.0
4	146.3	134.4	128.9	134.6	125.6	127.0
YEAR	144.5	131.1	126.3	131.1	123.9	125.0
% change from '92	4.2	4.7	4.4	5.8	4.3	4.0

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ .02%	State Local Purch.
0.00%	Federal Govt. Purch.
- .02%	Gross Private Dom. Invest.
- .05%	GDP
- .13%	Pers. Cons. Expend.
- 7.35%	Net Exports

FORECAST DATA ON NOMINAL GDP SHOW MAJOR INCREASES TAKING PLACE IN THE SECOND HALF OF THIS YEAR AND CONTINUOUS IMPROVEMENTS IN 1993.

Data for 1992:1 indicate a continuous weakness in private and government consumer expenditures caused mainly by slow growth of personal disposable income and Federal budget cuts on defense expenditures. While Federal Government defense spending on goods and services is expected to continue declining, personal outlays on consumption goods will regain vigor in the second half of this year and afterward, contributing more visibly to the overall growth of GDP and the economy as a whole. Forecast data on net exports show the opposite trend, however: in the first half of the year the merchandise balance is expected to continue improving due to domestic weak demand for supplies of businesses and continuing strong gains in exports.

In the second half of the year, data indicate that imports will be growing faster than exports dipping the trade balance farther in the red, while still within tolerable levels.

TABLE 1.22
NOMINAL GDP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross Domestic Product					---------------*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	5515.1	3743.9	802.6	-74.4	425.1	617.8
1991:1*	5591.0	3829.6	709.3	-36.8	451.6	637.3
2*	5692.7	3908.5	708.8	-17.2	452.0	640.5
3P	5706.8	3915.3	742.0	-38.8	444.8	643.6
4	5736.0	3924.3	750.0	-33.2	443.1	651.8
YEAR	5681.6	3894.4	727.5	-31.5	447.9	643.3
% change from '90	3.0	4.0	-9.4	-57.7	5.4	4.1
1992:1	5809.3	3975.7	759.4	-32.9	449.9	657.2
2	5922.9	4073.5	766.6	-37.1	453.8	666.0
3	6057.9	4186.0	779.2	-38.4	455.0	676.1
4	6157.1	4267.4	784.2	-36.6	460.1	681.9
YEAR	5986.8	4125.7	772.4	-36.2	454.7	670.3
% change from '91	5.4	5.9	6.2	-37.1	1.5	4.2
1993:1	6282.4	4380.3	789.4	-46.3	467.5	691.5
2	6334.2	4415.7	792.5	-49.4	473.2	702.2
3	6440.6	4498.5	797.4	-49.2	479.2	714.7
4	6603.2	4642.7	803.1	-47.1	481.2	723.3
YEAR	6415.1	4484.3	795.6	-48.0	475.3	707.9
% change from '92	7.2	8.7	3.0	32.4	4.5	5.6

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992 FORECAST DATA

Percent Change from January 1992 Forecast

+ .63%	Unemployment
+ .02%	Civilian Labor Force
0.00%	Agriculture
- .01%	Population
- .25%	Total Employed
- .26%	Nonagriculture

THE UNEMPLOYMENT RATE ROSE IN DECEMBER TO A SEASONALLY ADJUSTED 7.1% FROM 6.9% IN THE PRECEDING MONTH. IT IS THE HIGHEST SINCE JUNE 1986.

Forecast data on umemployment in 1992 and 1993 are not as bad as those of December 1991. However, they show the unemployment rates and numbers of unemployed persons to remain uncomfortably high throughout this year and in most of 1993. There are two main reasons underlying this not-too-optimistic forecast. The first is the passage of the U.S. economy from a strong defense-oriented economy to a less-defense oriented one, which results in continuous reductions in numbers of persons employed in defense good producing firms and segments. The second reason is the long-lasting problem in which the U.S. economy is being trapped, namely the undergoing changes in the overall financial and real structure of the economy: the reductions in the overburden of personal and Government indebtedness, the accomodation of structures of U.S. companies and industries to current structures in industrially-advanced counties, and structural changes in technologies. This second problem necessitates reductions in costs including reductions in numbers of salaries of certain groups of white-collar and blue-collar employees in many industries--a long lasting process which cannot be solved by a single fixed decision.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	Employment Total	Employment Agricult.	Employment Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1990*	260.9	124.8	117.9	3.2	114.7	5.51
1991:1*	262.6	124.0	115.9	3.2	112.7	6.52
2*	263.1	125.1	116.6	3.2	113.4	6.83
3P	264.2	126.3	117.7	3.2	114.5	6.77
4	262.4	127.5	118.6	3.2	115.4	6.97
YEAR	263.1	125.7	117.2	3.2	114.0	6.77
% change from '90	.8	.7	.7	0.0	-.6	22.9
1992:1	266.0	127.1	118.3	3.2	115.1	6.95
2	266.4	127.4	118.8	3.2	115.6	6.78
3	267.0	127.9	119.4	3.2	116.2	6.62
4	267.9	128.6	120.3	3.2	117.1	6.48
YEAR	266.8	127.8	119.2	3.2	116.0	6.71
% change from '91	1.4	1.6	1.6	0.0	1.7	-1.0
1993:1	269.8	129.4	121.5	3.2	118.3	6.14
2	270.3	130.3	122.4	3.2	119.2	6.08
3	271.2	131.0	123.2	3.2	120.0	5.93
4	272.1	132.1	124.4	3.2	121.2	5.86
YEAR	270.9	130.7	122.9	3.2	119.7	6.00
% change from '92	1.5	2.3	2.6	0.0	3.2	-10.51

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992 FORECAST DATA

Percent Change from January 1992 Forecast

- .08%	1-family housing starts
- .03%	1-family housing new
- .05%	Permits Issued
- .08%	1-family housing existing
- .44%	Mobile Home Shipments
- 5.89%	Multiple family housing starts

PROPELLED BY FALLING INTEREST RATES, HOUSING STARTS IN DECEMBER ROSE TO A SEASONALLY ADJUSTED 1.103 MIL. UNITS FROM 1.075 MIL. UNITS IN NOVEMBER.

Building permits rose by 5.8% to 1 million for single-family housing, and by 13.5% to .168 mil. for multi-family housing.

Forecast data for this year indicate that the single-family segment of the housing market will stay among key segments of the economy showing vigor. Though the multi-family segment is also expected to grow, foreast data indicate that its growth will be anemic and will improve somewhat next year when the vacancy rate will drop to a more tolerable level.

Data for mobile home shipments point to slight increases this year compared to 1991. Compared to shipments predicted for this year, shipments in 1993 are expected to gain more significantly.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home ship-ments	Permits author-ized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1990*	.895	.298	.188	1.111	149.0	118.3
1991:1*	.726	.189	.167	.840	152.3	122.1
2*	.863	.167	.170	.964	147.2	127.8
3P	.881	.168	.175	.986	148.7	131.9
4	.982	.131	.169	1.020	149.6	133.4
YEAR	.863	.164	.170	.953	149.4	128.8
% change from '90	-3.6	-45.1	-9.4	-14.3	.3	8.9
1992:1	.959	.152	.167	.988	150.1	134.2
2	.989	.171	.201	.998	154.0	137.9
3	1.014	.216	.206	1.180	160.2	140.1
4	.986	.230	.172	1.130	165.3	142.2
YEAR	.987	.192	.186	1.074	157.4	138.6
% change from '91	14.4	17.4	9.5	12.8	5.3	7.6
1993:1	.954	.224	.190	.981	167.3	144.2
2	.990	.275	.204	.998	170.2	147.3
3	.992	.306	.208	1.127	175.3	148.7
4	.987	.298	.201	1.106	178.4	1419.6
YEAR	.981	.276	.201	1.053	172.8	464.9
% change from '92	-.6	43.4	7.6	-2.0	9.8	235.5

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*Historical data. R = Revised. P = Preliminary.

**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ .96%	Imported Car Sales
0.00%	Dealer Inventory
0.00%	Light Truck Sales
- .41%	Shipments
- .85%	Total Car Sales
- 1.61%	Domestic Car Sales

SALES OF DOMESTIC CARS REMAINED SLUGGISH IN MID-JANUARY, BUT THE DEMAND FOR CARS AND TRUCKS BUILT IN THE U.S. FACTORIES BY JAPANESE AUTOMAKERS WAS STRONG.

Domestic cars sold at a 5.7 mil. units, seas. adj. annual rate, down from 6.6 mil. units at the year-earlier period. On the other hand, truck sales rose 8% for the comparable period.

KEDI reiterates its forecast that this year will be better for U.S. automakers than it was in the dismal 1991. Significant improvements in shipments and sales of domestically built cars are expected to start in the second half of this year and continue throughout 1993, which is considered here to be the first good year for U.S. automakers after many years of problems.

Data show strong markets for light-duty trucks and other vehicles of this category to prevail this year and in 1993.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inven- tory n.s.a. **	Factory car ship- ments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1990*	9.5	6.9	2.6	1.4	6.6	3.7
1991:1*	8.2	6.0	2.2	1.3	6.0	3.2
2*	8.9	6.2	2.7	1.4	6.1	3.5
3P	8.9	6.1	2.8	1.4	6.2	3.5
4	8.9	6.1	2.8	1.5	6.0	3.4
YEAR	8.7	6.1	2.6	1.5	6.1	3.4
% change from '90	-8.2	-11.6	1.0	7.1	-8.0	-8.1
1992:1	8.9	6.0	2.9	1.6	6.1	3.5
2	9.4	6.5	2.9	1.6	6.3	3.7
3	9.8	6.7	3.1	1.7	6.5	4.0
4	10.0	6.9	3.1	1.7	6.6	3.9
YEAR	9.5	6.5	3.0	1.7	6.4	3.8
% change from '91	9.2	-5.1	14.3	13.3	4.9	11.0
1993:1	9.6	6.4	3.2	1.7	6.8	4.1
2	10.2	6.6	3.3	1.8	6.9	4.2
3	10.8	6.8	3.3	1.7	7.0	4.4
4	10.7	6.9	3.4	1.8	7.1	4.3
YEAR	10.0	6.7	3.3	1.8	7.0	4.2
% change from '92	4.7	-5.3	10.0	5.9	9.0	12.6

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ .02%	State Income Tax
- .34%	State Surplus Deficit
- .45%	State Corp. Tax Accrued
- .67%	Corporate Profit Tax
- 1.17%	Federal Income Tax
- 4.73%	State Surplus Deficit

FORECAST DATA SHOW SMALL IMMEDIATE EFFECTS OF STIMULATING PERSONAL OUTLAYS AND INCREASING EMPLOYMENT RESULTING FROM PRES. BUSH'S STATE OF THE UNION ADDRESS.

This forecast includes anticipated data on tax- and spending adjustments proposed in the Presidential State of the Union Address. It is expected that Congress will accept these proposals without significant changes.

It is also anticipated that Congress will decide in a timely way, and the adjustments will be in line with the budgetary accord of 1990.

Forecast data indicate that the effect of proposed measures will be beneficial for the economy in the perspective of several years ahead, notably those parts of the program dealing with financing or subsidizing public projects, depreciation rules, and measures intended to stimulate personal saving.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

	*-----FEDERAL		----------*	*---STATE AND LOCAL		----*
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	492.8	108.5	-166.0	206.6	23.6	35.4
1991:1*	501.3	95.0	-126.9	213.3	20.1	30.0
2*	499.5	97.6	-184.6	217.1	21.0	38.4
3P	497.1	96.3	-199.6	219.5	23.1	38.8
4	500.1	98.5	-211.4	223.1	24.2	39.5
YEAR	499.5	96.8	-180.6	218.2	22.1	36.7
% change from '90	1.4	-10.7	8.8	5.6	-6.4	3.6
1992:1	522.2	101.1	-216.2	226.1	26.1	40.3
2	531.1	105.5	-227.5	228.4	27.2	41.5
3	550.2	110.4	-229.3	236.1	30.2	42.7
4	565.3	115.2	-225.8	240.2	33.8	43.0
YEAR	542.2	108.0	-224.7	232.7	29.3	41.9
% change from '91	8.5	11.6	24.4	6.6	32.7	14.2
1993:1	577.2	120.6	-218.6	250.6	34.4	44.5
2	584.5	125.3	-217.2	262.2	35.0	46.2
3	600.1	128.2	-205.3	276.5	36.1	48.2
4	611.7	131.4	-184.6	281.4	37.6	50.8
YEAR	593.4	126.4	-206.4	267.7	35.8	47.4
% change from '92	9.4	17.0	-8.1	15.0	22.0	13.3

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ .46%	Corporate After Tax Profit
0.00%	Average Weekly Earnings
- .09%	Comp. of Employees
- .14%	Personal Disp. Income
- .24%	Personal Income
- .28%	Personal Savings

DATA ON PERSONAL INCOME AND COMPONENTS FOR 1992 AND 1993 POINT TO SMALL INCREASES THROUGHOUT 1992, ACCELERATING SOMEWHAT IN 1993.

The main reason for relatively slow growth of personal receipts is anemic growth of its main components--compensation of employees due to persistently high number of unemployed persons. Another reason is declining share of receipts from interest, mainly on certificates of deposits due to low interest rates. Interest income is expected to resume the upward trend in 1993.

Contrary to data on personal income, the total income of businesses is expected to grow at fast rates this and the following years, mainly due to cost-cutting measures adopted by producers, and improvements in performance of the services sector of the economy expected to take place in 1993 and afterward.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	Pers. income bil. $	Pers. disp. income bil. $	Comp. of empl. bil. $	Corp. after tax profits bil. $	Pers. saving bil. $	Avg. week earn. $
Year & Qtr.						
1990*	4649.9	3950.5	3301.5	197.0	206.6	443.5
1991:1*	4757.6	4043.0	3428.1	189.7	213.4	449.1
2*	4854.7	4138.1	3442.8	182.7	229.6	456.3
3P	4844.7	4128.1	3418.9	189.9	212.8	463.8
4	4861.7	4138.5	3488.2	194.8	214.2	464.4
YEAR	4829.7	4111.9	3444.5	189.3	217.5	458.4
% change from '90	3.9	4.1	4.3	-3.9	5.3	3.4
1992:1	5130.7	4382.4	3604.8	198.6	220.0	468.5
2	5248.6	4489.1	3678.5	204.1	224.1	473.9
3	5396.7	4610.4	3783.5	203.1	228.1	476.4
4	5499.9	4694.4	3810.2	205.7	226.5	483.9
YEAR	5319.0	4544.1	3719.2	202.9	224.7	475.7
% change from '91	10.1	10.5	8.0	7.2	3.3	3.8
1993:1	5626.9	4799.1	3917.1	206.9	212.6	485.9
2	5701.8	4855.1	3998.3	210.1	227.6	489.7
3	5825.7	4949.1	4073.6	214.7	232.2	494.2
4	6004.7	5111.6	4169.7	220.2	243.3	499.7
YEAR	5789.8	4928.7	4039.7	213.0	228.9	492.4
% change from '92	8.9	8.5	8.6	5.0	1.9	3.5

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ .38%	Large denom. time deposit
+ .09%	Mortg. at all holders
+ .03%	Time deposits
- .01%	Currency and demand deposits
- .08%	Consumer install. credit
- .19%	Comm. & indust. loans

DATA ON CONSUMER CREDIT FOR 1992 POINT TO SMALL INCREASES ACCELERATING A BIT IN THE SECOND HALF OF THE YEAR, MAINLY DUE TO INCREASES IN AUTO LOANS.

Forecast data of Money Supply M1 for this year call for a 5% increase over 1991. Data for Money Supply M2 show a small gain of 3.1%, well below the Federal Reserve target range.

Markets for CD's are expected to remain weak throughout this year and for most of next year.

Forecast of markets for Federal securities and corporate bonds indicates these two markets will grow at the fastest rate in both forecast years, when compared to markets for the other monetary and credit market instruments.

Markets for home mortgages are predicted improving at healthy rates, notably in the second quarter of this year and afterward, after the refinancing rush subsides.

Continuous weakness is expected to prevail in markets for commercial mortgages.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	812.2	3293.2	748.3	577.2	533.9	3857.7
1991:1*	830.2	3371.6	725.5	578.1	536.0	3876.7
2*	851.2	3385.4	728.3	580.9	541.4	3925.1
3	865.4	3392.0	730.2	581.4	537.0	3973.8
4	873.2	3408.1	735.1	582.0	531.1	4005.4
YEAR	855.0	3389.3	735.1	582.0	531.1	4005.4
% change from '90	5.3	2.9	-1.8	5.3	-.5	3.8
1992:1	882.7	3430.4	734.5	585.8	630.2	4054.6
2	896.5	3461.2	744.7	590.6	531.2	4147.7
3	902.2	3501.3	755.3	596.4	534.4	4211.7
4	908.8	3575.4	753.1	601.6	536.2	4206.2
YEAR	897.5	3492.1	753.1	604.6	536.2	4206.2
% change from '91	5.0	3.0	2.4	3.9	1.0	5.0
1993:1	913.2	3602.1	783.7	603.2	580.5	4275.6
2	919.6	3641.2	787.2	607.3	600.2	4306.4
3	937.5	3708.1	794.9	611.3	603.9	4363.2
4	949.8	3761.2	801.1	617.5	606.7	4408.2
YEAR	930.0	3678.1	801.1	617.5	606.7	4408.2
% change from '92	3.6	5.3	6.4	2.1	13.1	4.8

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

IT IS ANTICIPATED THAT INTEREST RATES WILL REMAIN LOW THROUGH THE FIRST HALF OF THIS YEAR WITH SMALL DOSES OF GRADUAL INCREASES IN THE SECOND HALF AND INTO 1993.

KEDI also anticipates that the efforts to persuade European countries to reduce their interest rates will not be too successful since, in many of these countries, inflation is accelerating.

Significant drops in West European rates would just add up to price increases in these countries which already are dangerously high. Currently the gap between West European and U.S. interest rates is large and it is unlikely it can be sustained for a longer time since it stimulates substantial outflow of capital needed in the U.S. financial markets to finance increasing needs of Federal budget and financing increasing capital outlays of U.S. businesses.

Forecast data for U.S. capital markets point to a continuous strength this and next year in equities and bond markets. Though the data indicate that prices of blue chip equities will not be advancing as strongly as they did in the past two months, more vigor is seen in prices of stock and medium and small firms, not recorded in DJI.

1992 FORECAST DATA

Percent Change from January 1992 Forecast

+ .06%	Aaa Corp. bonds
+ .05%	Treasury bills 3 month yield
0.00%	Conv. mortgage rate
0.00%	S & P's 500 avg.
- .03%	30 yr. govt. bond yield
- .03%	Prime rate

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES

Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1990*	7.51	10.00	9.78	9.32	8.55	334.59
1991:1*	5.97	8.84	9.34	8.80	8.19	370.72
2*	5.59	8.50	9.31	8.62	8.39	379.70
3*	5.41	8.40	9.10	8.75	8.15	385.61
4	4.40	7.53	8.53	8.77	7.70	394.92
YEAR	5.34	8.32	9.07	8.73	8.11	382.74
% change from '90	-28.9	-16.8	-7.3	-6.3	-5.2	14.4
1992:1	3.81	6.50	8.22	8.74	7.41	414.22
2	3.85	6.54	8.28	8.82	7.56	418.15
3	4.06	6.84	8.32	9.03	7.70	419.42
4	4.29	7.06	8.70	9.17	7.82	413.47
YEAR	4.00	6.73	8.38	8.94	7.62	416.31
% change from '91	-25.1	-19.0	-7.6	2.3	-6.0	8.8
1993:1	4.74	7.59	9.01	9.26	7.90	421.61
2	5.03	7.74	9.23	9.34	8.11	423.32
3	5.29	7.93	9.53	9.30	8.08	424.84
4	5.58	8.16	9.75	9.29	8.04	430.24
YEAR	5.16	7.86	9.38	9.30	8.03	425.00
% change from '92	28.9	16.6	11.9	4.0	5.4	2.1

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue the Consumer Price Index has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from actual data for October-December 1991, communicated by the U. S. Department of Labor.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Consumer Price Index (1982-4 = 100)
Actual figure: 137.7

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	139.0	+ .9
Manufacturers Hanover Trust, NY	12/90	138.8	+ .8
Valley National Bank, AR	11/90	138.5	+ .6
Metropolitan Life, NY	12/90	139.5	+ 1.2
K.E.D.I., Inc, OH	12/90	139.3	+ 1.2
Fidelity Bank, PA	12/90	138.3	+ .4
Lloyds Bank, NY	12/90	138.0	+ .1
Morgan Stanley, NY	12/90	137.6	.0
Core Financial, PA	12/90	139.5	+ 1.3
Society Bank, OH	12/90	139.7	+ 1.5

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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SOURCES:

The U. S. Department of Commerce fourth quarter 1991 GDP estimates of National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, February 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

The economy will continue in its moderate pace of recovery, picking up a bit in the second half of this year and in 1993.

Prices

In January, producer prices fell .3%, their sharpest decline in ten months.

Employment & Labor

Forecast data for employment in the rest of this year, in 1993 and afterward are not encouraging.

Housing

Latest data show that in 1991 housing starts dropped to the lowest levels since 1945.

Automobiles

Car sales climbed in the first ten days of February from their dismal levels of the preceding weeks.

Budgets

It is anticipated that the Federal tax and spending adjustments will be enacted this month.

Income

Outlook for corporate profits for this year and next is optimistic. Auto makers may break even this year .

Money & Credit

Forecast data suggest that money supply M1 is expected to grow a bit faster than last year.

Interest Rates, Yields & Securities Prices

KEDI forecast anticipated that the Federal Reserve will not pursue the policy of further cuts in interest rates after having adjusted the Reserve requirements ratios.

0.02 ASSUMPTIONS

		Update
1.	In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2.	Monetary and credit policies are expected to tighten in the last quarter of 1992 and afterward.	December 1991
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the March 1992 KEDI forecast.	
*	Growth will accelerate in the second half of 1992.	January 1992
*	The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	In the second half of 1992 interest rates will be increasing.	October 1991
*	Federal budget deficits will keep declining in 1993 and the following years.	July 1991
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1991, 1992 and 1993 are on pages indicated below.

Indicator	Unit	1990	1994	1995	1996
Gross domestic	bil. 87$	4884.9	5219.1	5370.4	5536.9
product, p. 5	% change	1.8	2.8	2.9	3.1
Index of indust.	1987=100	108.3	117.1	121.0	125.1
prod., p. 5	% change	1.4	2.6	3.3	3.4
Capacity	%	82.0	83.5	83.0	82.3
utiliz., p. 5	% change	-.9	.2	-.6	-.8
Unemployment	%	5.5	6.1	82.3	1.3
rate, p. 5	% change	.8	.1	-1.2	-1.1
Private housing	mil.units	1.2	1.3	1.2	1.3
starts, p. 5	% change	-6.3	4.1	-5.8	4.7
Car sales,	mil.units	9.5	10.3	10.6	11.0
p. 5	% change	-5.0	3.2	2.8	4.0
Implicit GDP	1987=100	112.9	130.1	134.9	139.4
price def.,p.11	% change	4.1	3.8	3.7	3.3
Consumer Price	82-84=100	130.7	148.9	154.2	160.1
Index, p. 11	% change	4.8	3.7	3.6	3.8
Prod.Price Index	1982=100	119.4	136.0	141.5	147.0
(fin.goods),p.11	% change	5.1	4.9	4.0	3.9
Federal Deficit	bil. $	-194.6	-169.5	-134.9	-109.4
p. 21	% change	-8.4	-17.9	-20.4	-18.9
Personal Income	bil. $	4679.8	6203.4	6674.9	7222.2
p. 23	% change	6.7	7.8	7.6	8.2
Prime Rate	%	10.0	7.4	7.9	8.5
p. 27	% change	-3.5	-3.6	7.0	8.0
Mortgage Rate	%	9.8	9.8	10.1	9.9
p. 27	% change	-2.4	5.0	2.7	-1.8
Currency+demand	bil. $	811.6	976.3	1029.1	1091.8
deposits , p. 25	% change	3.7	5.0	5.4	6.1
Commercial+ind.	bil. $	577.2	592.8	610.0	624.0
loans, p. 25	% change	3.1	2.7	2.9	2.3
Raw steel	mil.sh.tons	93.1	92.4	93.4	90.2
production	% change	1.3	-.7	1.0	-3.4
Electric power	mil.kw-hr	3072	3176.4	3300.3	3438.9
production	% change	3.0	3.4	3.9	4.2
Bituminous coal	mil.sh.tons	947	956.5	960.3	973.7
production	% change	1.3	1.0	.4	1.4
Crude oil	avg. daily bbl.	2973	3032.5	3062.8	3090.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2254.6	2414.7	2591.0
p. 7	% change	5.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+ 1.90%	Private housing starts
+ .01%	GDP
0.00%	Capacity Util.
- .19%	Index Indus. Prod.
- .29%	Autos
- .40%	Unemployment

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

THE ECONOMY WILL CONTINUE IN ITS MODERATE PACE OF RECOVERY, PICKING UP A BIT IN THE SECOND HALF OF THIS YEAR AND IN 1993. January and early February data on housing, retail sales, orders for durables, car sales, and exports point to the upward direction in the rate of expansion of the economy.

Forecast data for employment remain persistently weak.

Detailed forecast data point to two main reasons why the unemployment situation is not likely to improve iun the foreseeable future. The first reason is that currently and for a long time ahead, the U.S. economy is undergoing a structural change in which labor-intensive industries are reducing their needs for labor by increasing their productivity.

The second reason stems from the policy of reducing Federal budget expenditures on defense. Defense budget cuts have double sword effect since they result in reductions of employment in defense goods produucing idustries and have a significant effect on output of supplying industries.

It is reasonable to expect that defense expenditures cutting will continue for many years ahead and, therefore the number of laid-offs in defense and defense-related industries will be negatively affecting the total number of unemployment. Positive effects of defense cuts are likely to appear in forecasts for long time ahead when the totals of persons laid-off are expected to be lower than the totals of newly employed due to the switch from defense to civilian Federal budget expenditures.

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GDP $87 bil.	Index of ind. prod. 1987=100	Unem- ploy ment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1990*	4884.9	109.2	5.51	82.3	1.193	9.5
1991:1*	4824.0	105.5	6.52	77.9	.915	8.2
2*	4840.7	107.2	6.83	77.8	.998	8.9
3*	4861.0	108.1	6.77	78.6	1.049	8.9
4P	4872.2	107.2	6.97	78.5	1.114	8.7
YEAR	4849.5	107.0	6.77	78.2	1.019	8.7
% change from '90	-.7	-2.0	22.9	-5.0	-14.6	-8.7
1992:1	4889.1	107.1	7.07	78.8	1.088	8.9
2	4933.4	108.3	6.89	79.2	1.133	9.4
3	4967.8	109.6	6.72	80.1	1.210	9.8
4	5001.7	111.2	6.58	82.0	1.196	9.9
YEAR	4948.0	109.0	6.81	80.0	1.157	9.5
% change from '91	2.0	1.9	.6	2.3	13.5	9.5
1993:1	5034.0	112.7	6.14	82.6	1.188	9.6
2	5063.3	113.2	6.18	83.1	1.273	9.9
3	5090.1	114.8	6.03	83.5	1.310	10.1
4	5120.2	115.8	5.96	84.0	1.287	10.3
YEAR	5076.9	114.1	6.08	83.3	1.264	10.0
% change from '92	2.6	4.7	-10.8	4.1	9.3	5.0

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+ .41%	Pers. Con. Expend. Services
- .17%	Retail Sales Total
- .17%	Retail Sales Nondurable
- .22%	Retail Sales Durables
- .23%	Pers. Con. Expend. Nondurable
- .74%	Pers. Con. Expend. Durable

IN JANUARY, RETAIL SALES ROSE .6% AND RETAIL SALES DATA FOR NOVEMBER AND DECEMBER 1991 HAS BEEN REVISED UPWARD.

The revised figures show that consumer spending has been growing since October 1991. Historical data since October 1991 and early February forecast data for coming months point to a sustained moderate recovery in the retail segment of the economy.

The retail segment is clearly rebounding from a long slump. Forecast data indicate that the rebound will continue to be modest and far from having virorous upward moves, however.

Data indicate that the main reason for the expected slow growth of retail sales is the expected slow growth of personal income caused by relatively high unemployment which will continue to be uncomfortably high throughout this year and afterward.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	*--Personal Cons. Expend.-**			------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1990*	465.9	1217.7	2060.3	1807.2	654.8	1152.4
1991:1*	440.7	1246.3	2140.7	1780.1	663.4	1116.7
2*	440.0	1252.9	2215.6	1817.6	674.6	1143.0
3*	452.8	1258.9	2203.9	1846.8	682.0	1163.8
4P	446.9	1253.4	2234.9	1881.1	687.2	1193.9
YEAR	445.1	1252.9	2198.8	1831.4	676.8	1154.3
% change from '90	-4.5	2.9	6.7	1.3	3.4	.2
1992:1	454.1	1272.4	2235.0	1900.1	700.5	1199.6
2	460.2	1283.3	2320.0	1922.6	719.2	1186.5
3	488.5	1313.6	2349.3	1937.2	727.0	1210.2
4	509.2	1338.7	2395.2	1991.1	745.4	1245.7
YEAR	478.0	1302.0	2324.9	1937.8	723.0	1210.5
% change from '91	7.4	3.9	5.7	5.8	6.8	4.9
1993:1	513.4	1361.7	2454.4	2020.3	767.1	1253.2
2	522.3	1384.5	2488.0	2061.9	800.2	1261.7
3	537.3	1391.7	2530.4	2101.7	814.2	1287.5
4	555.2	1398.4	2626.0	2182.0	820.1	1361.9
YEAR	532.0	1384.1	2524.7	2091.5	800.4	1291.1
% change from '92	11.3	6.3	8.6	7.9	10.7	6.7

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

THE ECONOMY HAS NOW GROWN IN THREE STRAIGHT QUARTERS AFTER TWO QUARTERS OF DECLINE: 1.4% in 1991:2; 1.8% in 1991:3, and .7% in 1991:4.

The second estimate of GDP for 1991:4 producted by the U. S. Dept. of Commerce at the end of February has shown some slight improvement when compared to the first estimate of January.

The Department of Commerce revised the annual rate of growth upward to .8% from an estimate of .3% made a month earlier. The change largely reflected a buildup in inventories. For the year 1991, the negative rate of growth remained .7%, unchanged from the initial estimate.

The Administration forecasts that the growth will pick up in the second quarter and that growth for all of 1992 will be 2.2%. KEDI forecast, in essence, correspond with the Administration's forecast. The expected growth rate this year over last year is 2.1%.

1992
FORECAST
DATA

Percent Change
from
January 1992
Forecast

+ .13%	Gross Private Dom. Invest.
+ .04%	State Local Purch.
+ .01%	GDP
0.00%	Pers. Cons. Expend.
- .79%	Federal Govt. Purch.
-11.40%	Net Exports

TABLE 1.13
REAL GDP

Quarterly data are seasonally adjusted at annual rates.

	*-----------Gross Domestic Product					---------------*
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1990*	4884.9	3262.6	744.5	-51.3	380.9	548.2
1991:1*	4824.0	3241.2	657.0	-18.6	391.7	552.7
2*	4840.7	3252.3	656.3	-12.3	392.7	551.7
3*	4861.0	3270.6	687.6	-32.3	384.1	551.0
4P	4872.2	3269.5	697.1	-17.6	369.7	553.5
YEAR	4849.5	3258.4	674.5	-20.2	384.6	552.2
% change from '90	-.7	-.1	-9.4	-60.6	1.0	.7
1992:1	4889.1	3286.9	702.3	-27.2	374.0	553.1
2	4933.4	3322.2	707.9	-30.3	377.4	556.2
3	4967.8	3346.1	716.0	-33.6	380.1	559.2
4	5001.7	3368.9	726.3	-37.7	382.5	561.7
YEAR	4948.0	3331.0	713.1	-32.2	378.5	557.6
% change from '91	2.0	2.2	5.7	59.4	-1.6	1.0
1993:1	5034.0	3396.0	731.9	-40.0	383.1	563.0
2	5063.3	3412.1	740.5	-39.1	384.4	565.4
3	5090.1	3429.5	747.2	-37.8	384.0	567.2
4	5120.2	3441.5	758.8	-32.7	383.1	569.5
YEAR	5076.9	3419.8	744.6	-37.4	383.6	566.3
% change from '92	2.6	2.7	4.4	16.1	1.4	1.6

*Historical data.

R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+	.08%	Pers. Cons. Expend.
-	.04%	State Local Purch.
	0.00%	Federal Govt. Purch.
-	.02%	GDP
-	.04%	Consumer Price Index
-	.06%	Producer Price Index

IN JANUARY, PRODUCER PRICES FELL .3%, THEIR SHARPEST DECLINE IN TEN MONTHS. The decline reflected energy costs which have been pushed lower by mild weather, high inventories, and excess supply of oil in international markets. Consumer prices edged up .1% after rising .2% in December. Excluding prices of food and energy, consumer prices rose a still-modest .3%.

Forecast data show that these trends in consumer and producer prices will continue throughout this year and will accelerate a bit in 1993. Main reasons supporting the forecast of moderate price developments are the absence of significant upward pressures on costs due to wage increases, moderate growth of the economy cuasing slow demand of producers, and stability of international prices of crude materials expected to prevail at most markets in this year.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes---		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1990*	130.7	119.8	112.9	114.8	111.6	112.7
1991:1*	134.8	121.3	115.9	118.2	115.3	115.3
2*	135.4	121.9	117.6	120.2	115.1	116.1
3*	135.9	122.2	117.4	119.7	115.7	116.8
4*	136.1	122.3	117.8	120.4	115.9	117.6
YEAR	135.6	121.9	117.2	119.6	115.5	116.4
% change from '90	3.7	1.8	3.8	4.2	3.5	3.3
1992:1	136.3	122.1	118.2	120.0	116.6	118.4
2	137.0	122.8	119.7	121.9	117.8	119.2
3	138.1	124.0	121.2	123.9	119.0	120.4
4	140.0	125.2	122.6	125.9	119.9	121.2
YEAR	137.8	123.5	120.4	122.9	118.3	119.8
% change from '91	1.7	1.3	2.8	2.8	2.4	2.9
1993:1	141.7	126.4	123.7	127.2	121.0	122.0
2	142.8	127.6	124.6	128.5	122.1	123.0
3	144.1	131.3	125.5	129.6	123.7	124.2
4	145.7	133.4	127.6	132.8	124.6	125.8
YEAR	143.6	129.7	125.3	129.5	122.8	123.8
% change from '92	4.2	5.0	4.1	5.4	3.8	3.3

---

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+ .07%	Pers. Cons. Expend.
+ .02%	GDP
+ .02%	Gross Private Dom. Invest.
- .13%	State Local Purch.
- .67%	Federal Govt. Purch.
- 5.48%	Net Exports

THE SECOND ESTIMATE OF NOMINAL GDP RECENTLY RELEASED BY THE U. S. DEPT. OF COMMERCE SHOWS SLIGHT IMPROVEMENTS WHEN COMPARED TO THE FIRST ESTIMATE.

The main changes in the second estimate pertain to inventories which increased by $10.9 bil., far more than the $2.7 bil. reported last month.
Consumer spending in the fourth quarter fell $1.7 bil. from the third quarter compared to the $9 bil. drop reported earlier.
Net exports--the difference between exports and imports--rose by $13.5 bil. in the fourth quarter down from the $22.8 bil. previously reported. According to the new data, in 1991:4 exports rose by $17 bil., i.e., 13.1% while imports increased by 2.5%--a positive sign indicating that growth of exports was bridging over the weakness of domestic activity.
KEDI forecast data indicate that the export-import gap will be increasing at moderate pace due to a faster growth of imports. However, increases in the trade deficit are expected to be within tolerable levels.

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross Domestic Product					---------------*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	5515.1	3743.9	802.6	-74.4	425.1	617.8
1991:1*	5591.0	3829.6	709.3	-36.8	451.6	637.3
2*	5692.7	3908.5	708.8	-17.2	452.0	640.5
3*	5706.8	3915.6	742.0	-38.8	444.4	643.6
4P	5739.5	3935.2	750.5	-26.3	431.6	648.5
YEAR	5682.5	3897.2	727.6	-29.8	444.9	642.5
% change from '90	3.0	4.1	-9.3	-60.0	4.7	4.0
1992:1	5778.9	3961.5	761.4	-34.9	436.1	654.9
2	5905.3	4063.5	769.3	-35.1	444.6	663.0
3	6021.0	4151.4	781.4	-37.4	452.3	673.3
4	6132.1	4243.1	785.6	-36.0	458.6	680.8
YEAR	5959.3	4104.9	774.4	-35.9	447.9	668.0
% change from '91	4.9	5.3	6.4	-40.2	.7	4.0
1993:1	6227.1	4329.5	792.3	-45.2	463.6	686.9
2	6308.9	4394.8	796.7	-47.4	469.4	695.4
3	6388.1	4459.4	799.4	-50.2	475.0	704.5
4	6533.4	4579.6	807.1	-47.1	477.3	716.4
YEAR	6364.3	4440.8	798.9	-47.5	471.3	700.8
% change from '92	6.8	8.2	3.2	32.4	5.2	4.9

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+	.30%	Population
+	.04%	Unemployment
+	.02%	Civilian Labor Force
	0.00%	Agriculture
-	.12%	Total Employed
-	.12%	Nonagriculture

FORECAST DATA FOR EMPLOYMENT IN THE REST OF THIS YEAR, IN 1993 AND AFTERWARD ARE NOT ENCOURAGING. Data call for the 6.8% rate average this year and 6.2% rate in 1993, compared to 5.5% average rate in 1990 and 6.7% this past year.

Data for this year show that the largest hiring of new labor is expected to be in the health care industry and related industries. Some increases are also expected to be in the single-family segment of construction industry, in lumber and products industries and housing-related industries. In other industries and segments of the economy the numbers of employed persons are expected to remain flat or continue declining. The major factor causing the unfavorable employment outlook are effects of Federal budget cuts in defense spending which will continue significantly to keeping the unemployment rate uncomfortably high in the foreseeable future.

TABLE 1.30
EMPLOYMENT & LABOR
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1990*	260.9	124.8	117.9	3.2	114.7	5.51
1991:1*	262.6	124.0	115.9	3.2	112.7	6.52
2*	263.1	125.1	116.6	3.2	113.4	6.83
3*	264.2	126.3	117.7	3.2	114.5	6.77
4	265.7	127.5	118.6	3.2	115.4	6.97
YEAR	263.9	125.7	117.1	3.2	113.9	6.77
% change from '90	1.1	.7	.7	0.0	-.8	22.9
1992:1	266.0	127.1	118.1	3.2	114.9	7.07
2	266.4	127.4	118.6	3.2	115.4	6.89
3	267.0	127.5	118.9	3.2	115.7	6.72
4	267.9	128.6	120.1	3.2	116.9	6.58
YEAR	266.8	127.7	119.0	3.2	115.8	6.81
% change from '91	1.1	1.5	1.5	0.0	1.7	.6
1993:1	269.8	129.0	121.1	3.2	117.9	6.14
2	270.3	130.0	122.0	3.2	118.8	6.18
3	271.2	130.9	123.0	3.2	119.8	6.03
4	272.1	131.6	123.8	3.2	120.6	5.96
YEAR	270.9	130.4	122.5	3.2	119.3	6.08
% change from '92	1.5	2.1	2.4	0.0	3.0	-10.82

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+ .03%	1-family housing starts
+ .03%	1-family housing new
0.00%	1-family housing existing
- .15%	Mobile home shipments
- .15%	Multiple family housing starts
- .42%	Permits issued

LATEST DATA SHOW THAT IN 1991 HOUSING STARTS DROPPED TO THE LOWEST LEVELS SINCE 1945.

However, data for December 1991, January 1992, and early February data show a solid upward trend.

Forecast data for the rest of this year point to continuous recovery in single-family housing, expected to reach the 1.1 mil. units level this year, and 1.2 mil. single-family starts in the next year.

Forecast of multi-family housing remains bleak for the rest of the year. More significant improvements are expected to take place in 1993.

TABLE 1.41
HOUSING
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1990*	.895	.298	.188	1.111	149.0	118.3
1991:1*	.726	.189	.167	.840	152.3	122.1
2*	.863	.167	.170	.964	147.2	127.8
3*	.881	.168	.175	.986	148.7	131.9
4	.983	.131	.167	1.006	149.6	133.4
YEAR	.863	.164	.170	.949	149.4	128.8
% change from '90	-3.5	-45.1	-9.7	-14.6	.3	8.9
1992:1	.941	.147	.165	.982	150.1	134.2
2	.982	.151	.201	.998	154.0	137.9
3	1.004	.206	.206	1.175	160.2	140.1
4	.970	.226	.172	1.130	165.3	142.2
YEAR	.974	.182	.186	1.071	157.4	138.6
% change from '91	12.9	11.5	9.6	12.9	5.3	7.6
1993:1	.964	.224	.190	.981	167.3	144.2
2	.998	.275	.204	.998	170.2	147.3
3	1.004	.306	.208	1.127	175.3	148.7
4	.989	.298	.201	1.106	178.4	1419.6
YEAR	.989	.276	.201	1.053	172.8	464.9
% change from '92	1.5	51.1	7.9	-1.7	9.8	235.5

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

CAR SALES CLIMBED IN THE FIRST TEN DAYS OF FEBRUARY FROM THEIR DISMAL LEVELS OF THE PRECEDING WEEKS. Early February sales of domestically-produced cars stood at 6.4 mil units, seasonally adjusted compared to January's 5.7 mil units.
At the same period, domestic cars and trucks were 23.8% above the year-earlier data.

KEDI forecast of car sales is optimistic. Data indicate that the market for light-trucks will remain strong this and the next year helping the car industry out of the recession.

Data also indicates that during this year, light trucks will lead the auto industry in its recovery followed by a 3-5 month lag in passenger cars.

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

0.00%	Imported Car Sales
0.00%	Dealer Inventory
0.00%	Light Truck Sales
- .29%	Total Car Sales
- .41%	Domestic Car Sales
- .41%	Shipments

TABLE 1.42
AUTOMOBILES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1990*	9.5	6.9	2.6	1.4	6.6	3.7
1991:1*	8.2	6.0	2.2	1.3	6.0	3.2
2*	8.9	6.2	2.7	1.4	6.1	3.5
3	8.9	6.1	2.8	1.4	6.2	3.5
4P	8.7	6.0	2.7	1.5	6.0	3.4
YEAR	8.7	6.1	2.6	1.5	6.1	3.4
% change from '90	-8.7	-12.0	0.0	7.1	-8.0	-8.1
1992:1	8.9	6.0	2.9	1.6	6.1	3.5
2	9.4	6.5	2.9	1.6	6.3	3.7
3	9.8	6.7	3.1	1.7	6.5	4.0
4	9.9	6.9	3.0	1.7	6.6	3.9
YEAR	9.5	6.5	3.0	1.7	6.4	3.8
% change from '91	9.5	-4.9	14.4	13.3	4.9	11.0
1993:1	9.6	6.4	3.2	1.7	6.8	4.1
2	10.2	6.6	3.3	1.8	6.9	4.2
3	10.8	6.8	3.3	1.7	7.0	4.4
4	10.7	6.9	3.4	1.8	7.1	4.3
YEAR	10.0	6.7	3.3	1.8	7.0	4.2
% change from '92	5.0	-5.9	10.9	5.9	9.0	12.6

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+	.69%	Federal Income Tax
+	.21%	State Surplus Deficit
+	.11%	State Corp. Tax Accrued
+	.05%	Corporate Profit Tax
	0.00%	State Income Tax
-	.14%	State Surplus Deficit

IT IS ANTICIPATED THAT THE FEDERAL TAX AND SPENDING ADJUSTMENTS WILL BE ENACTED THIS MONTH.

Though it is difficult to predict the final text of the Administration-Congress compromise, it is anticipated that Federal; budget expenditures will remain essentially unchanged in the total, and approximately $10 bil. will be shifted from the defense budget to civilian purposes. Tax adjustments are expected to result in approximately $8 bil. a year decline in taxes in total. Forecast data which include these assumed amounts show that the impact on the economy will be positive though small resulting in marginal increases in retail sales and business capaiatal outlays.
The forecast of the impact of anticipated measures on the number of unemployed persons shows a modest decline only.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

	*-----FEDERAL		----------*	*---STATE AND LOCAL		----*
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	492.8	108.5	-166.0	206.6	23.6	35.4
1991:1*	501.3	95.0	-126.9	213.3	20.1	30.0
2*	499.5	97.6	-184.6	217.1	21.0	38.4
3P	506.1	96.2	-199.8	219.3	23.2	38.8
4	504.9	98.6	-212.6	223.1	24.2	39.4
YEAR	502.9	96.8	-181.0	218.2	22.1	36.6
% change from '90	2.1	-10.7	9.0	5.6	-6.3	3.5
1992:1	522.6	101.2	-216.8	226.0	26.1	40.4
2	530.8	105.0	-229.5	228.2	27.2	41.5
3	550.2	108.4	-229.8	236.1	30.2	42.7
4	564.1	112.1	-225.8	240.2	33.8	43.0
YEAR	541.9	106.7	-225.5	232.6	29.3	41.9
% change from '91	7.7	10.1	24.6	6.6	32.5	14.3
1993:1	577.2	120.6	-218.6	250.6	34.4	44.5
2	584.5	125.3	-217.2	262.2	35.0	46.2
3	600.1	128.2	-205.3	276.5	36.1	48.2
4	611.7	131.4	-184.6	281.4	37.6	50.8
YEAR	593.4	126.4	-206.4	267.7	35.8	47.4
% change from '92	9.5	18.5	-8.4	15.1	22.0	13.2

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+ 1.66%	Personal Savings
+ .72%	Personal Disp. Income
+ .12%	Personal Income
0.00%	Average Weekly Earnings
- .06%	Comp. of Employees
- .07%	Corporate After tax profit

OUTLOOK FOR CORPORATE PROFITS FOR THIS YEAR AND NEXT IS OPTIMISTIC. Data indicate that last year in the auto industry--their worst in history--will not repeat in 1992 and 1993. The Detroit automakers will break even in 1992 and will post profits in 1993. Forecast data also indicate that this year's profits in the steel industry, chemical industry, and the single-family segment of construction industry are expected to return and will operate in the black. The outlook is also positive for banking, real estate and most of nondurable manufacturing. Airline transportation, travel, and printing and publishing, and domestic communications are expected to experience some difficulties, but will improve their profits in 1993.

Forecast data for personal income and personal disposable income call for slow but persistent increases for the rest of the year.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1990*	4679.8	3980.4	3301.5	197.0	206.6	443.5
1991:1*	4768.0	4053.4	3428.1	189.7	213.4	449.1
2*	4821.1	4104.5	3442.8	182.7	229.6	456.3
3*	4854.0	4128.6	3418.9	189.9	212.8	463.8
4P	4898.8	4280.3	3480.1	194.4	228.6	464.4
YEAR	4835.5	4141.7	3442.5	189.2	221.1	458.4
% change from '90	3.3	4.1	4.3	-4.0	7.0	3.4
1992:1	5133.3	4384.7	3600.2	199.7	220.6	468.5
2	5253.9	4494.9	3670.5	202.9	224.1	473.9
3	5376.4	4590.1	3773.2	201.4	228.9	476.4
4	5485.4	4681.1	3790.1	204.7	226.5	483.9
YEAR	5312.2	4537.7	3708.5	202.2	225.0	475.7
% change from '91	9.9	9.6	7.7	6.9	1.8	3.8
1993:1	5588.7	4760.9	3887.2	208.9	216.6	485.9
2	5688.3	4841.6	3978.1	212.1	227.6	489.7
3	5794.6	4918.0	4043.5	214.7	233.2	494.2
4	5946.7	5053.6	4139.2	221.2	243.3	499.7
YEAR	5754.6	4893.5	4012.0	214.2	230.2	492.4
% change from '92	8.3	7.8	8.2	6.0	2.3	3.5

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

+	.02%	Time deposits
+	.02%	Commercial industrial loans.
-	.03%	Currency and demand deposits
-	.10%	Mortg. at all holders
-	.19%	Large denom. time deposits
-	.91%	Commercial install credit

FORECAST DATA SUGGEST THAT MONEY SUPPLY M1 IS EXPECTED TO GROW A BIT FASTER THAN LAST YEAR. It is forecast at 5.5% in 1992 over 1991, compared to its 5.3% over 1990.

The growth of money supply M2 is expected to be a modest 3% this year compared to 2.9% in 1991.

Modest increases are also expected in markets for commercial and industrial loans, and for small CD's, while the volume of large negotiable CD's to stay at approximately the same levels throughout the year.

Consumer credit is expected to recuperate in the second half of the year mainly due to expected increases in installment credit for motor vehicles. The fastest growing markets are expected to be those for Federal Government securities and corporate bonds.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	812.2	3293.2	748.3	577.2	533.9	3857.7
1991:1*	830.2	3371.6	725.5	578.1	536.0	3876.7
2*	851.2	3385.4	728.3	580.9	541.4	3925.1
3*	865.4	3392.0	729.0	581.3	535.1	3972.1
4P	872.1	3411.2	728.4	582.1	530.1	4001.3
YEAR	854.7	3390.1	728.4	582.1	530.1	4001.3
% change from '90	5.2	2.9	-2.7	5.3	-.7	3.7
1992:1	882.4	3432.7	730.5	585.7	530.2	4024.5
2	896.0	3462.5	737.2	590.4	531.0	4137.7
3	908.3	3501.3	745.8	596.5	532.4	4201.2
4	912.8	3575.9	748.2	601.0	533.2	4206.3
YEAR	899.9	3493.1	748.2	601.0	533.2	4206.3
% change from '91	5.3	3.0	2.7	3.2	.6	5.1
1993:1	916.2	3602.4	753.4	603.2	540.2	4255.6
2	921.5	3641.2	767.2	607.3	547.2	4300.4
3	936.4	3708.1	774.9	611.3	556.9	4363.2
4	945.3	3761.2	781.1	617.5	566.7	4401.2
YEAR	929.9	3678.2	781.1	617.5	566.7	4401.2
% change from '92	3.3	5.3	4.4	2.7	6.3	4.6

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1992
FORECAST
DATA

Percent Change
from
February 1992
Forecast

0.00%	30 yr. Govt. bond yield
0.00%	S & P's 500 avg.
- .05%	Treasury bills 3 mo. yield
- .06%	Prime rate
- .06%	Conv. mortg. rate
- .09%	Aaa corp bonds

KEDI FORECAST ANTICIPATED THAT THE FEDERAL RESERVE WILL NOT PURSUE THE POLICY OF FURTHER CUTS IN INTEREST RATES AFTER HAVING ADJUSTED THE RESERVE REQUIREMENTS RATIOS.

KEDI forecast data on interest rates and yields indicate that low levels will remain essentially unchanged during the first and second quarter of this this year. They are expected to gain gradually in the second half of this year and in 1993. The long-term rates on Government and corporate securities are predicted rising at very slow but persistent pace after bottoming out in these months.

Forecast data for mortgage rates point to gradual increases in the second half of this year and afterward.

Data call for good performance in stock and bond markets without any significant drops this and the next year.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES

Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1990*	7.51	10.00	9.78	9.32	8.55	334.59
1991:1*	5.97	8.84	9.34	8.80	8.19	370.72
2*	5.59	8.50	9.31	8.62	8.39	379.70
3*	5.41	8.40	9.10	8.75	8.15	385.61
4P	4.38	7.52	8.51	8.72	7.71	394.92
YEAR	5.34	8.31	9.06	8.72	8.11	382.74
% change from '90	-28.9	-16.9	-7.3	-6.4	-5.1	14.4
1992:1	3.78	6.50	8.44	8.74	7.62	411.26
2	3.80	6.51	8.28	8.82	7.66	417.13
3	4.02	6.64	8.32	9.03	7.71	419.41
4	4.11	6.86	8.70	9.17	7.89	413.47
YEAR	3.93	6.63	8.43	8.94	7.72	415.32
% change from '91	-26.4	-20.3	-6.9	2.5	-4.8	8.5
1993:1	4.54	7.29	9.01	9.26	7.94	421.60
2	4.96	7.54	9.23	9.34	8.11	423.32
3	5.29	7.73	9.53	9.30	8.08	424.84
4	5.58	8.06	9.75	9.29	8.04	430.24
YEAR	5.09	7.66	9.38	9.30	8.04	425.00
% change from '92	29.7	15.5	11.2	4.0	4.2	2.3

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue the Unemployment Rate has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from actual data for October-December 1991, communicated by the U. S. Department of Labor.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Unemployment Rate (% of civilian labor force)
Actual figure: 6.9

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	5.4	-21.3
Manufacturers Hanover Trust, NY	12/90	6.7	- 2.9
Valley National Bank, AR	11/90	7.0	+ 1.4
Metropolitan Life, NY	12/90	6.4	- 6.2
K.E.D.I., Inc, OH	12/90	5.6	-18.2
Fidelity Bank, PA	12/90	6.1	-11.6
Lloyds Bank, NY	12/90	6.5	- 5.8
Morgan Guaranty, NY	12/90	7.3	+ 5.6
Core Financial, PA	12/90	6.8	- 1.4
Society Bank, OH	12/90	6.6	- 4.3
Fleet National Bank, RI	12/90	6.5	- 4.3
National City Bank, OH	12/90	6.4	- 7.2
John Hancock, MA	12/90	6.8	- 1.4
Paine Webber, NY	12/90	7.3	+ 5.8
Shearson Lehman, NY	12/90	7.3	+ 5.8

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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SOURCES:

The U. S. Department of Commerce fourth quarter 1991 final GDP estimates of National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, March 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

The majority of key indicators of the economy point convincingly in the upward direction for months ahead and the balance of the year.

Prices

The price outlook for the rest of this year and 1993 calls for moderate rates of inflation at consumer and producer levels.

Employment & Labor

Forecast of employment in this and the following year is not encouraging.

Housing

Reports on housing show that it continues in an upward swing and that the housing market is getting stronger.

Automobiles

Sales of domestically-built vehicles rose by 5.2% in late March, lead by a strong buying surge in light-truck-type vehicles.

Budgets

KEDI's long-term forecast data for 1996 and beyond do not point to anything significant that even approaches a balanced budget.

Income

Expect moderate, not spectacular but steady increases in personal income and personal disposable income in 1992 and 1993.

Money & Credit

Forecast data on financial markets show U.S. Government securities strong due to significant increases in Federal budget deficit.

Interest Rates, Yields & Securities Prices

Look for temporary and marginal drops in interest rates in the short term with slight increases occurring in the second half of this year, mostly in 1992:4.

0.02 ASSUMPTIONS

	Update
1. In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2. Monetary and credit policies are expected to tighten in the last quarter of 1992 and afterward.	December 1991
3. In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4. Foreign trade with the USSR and East Europe will expand in 1992 and following years	July 1991
5. Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

* Table 0.00 on page 3 shows forecast data of selected indicators of the April 1992 KEDI forecast.	
* Growth will accelerate in the second half of 1992.	January 1992
* The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
* Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
* In the second half of 1992 interest rates will be increasing.	October 1991
* Federal budget deficits will keep declining in 1993 and the following years.	July 1991
* During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1991, 1992 and 1993 are on pages indicated below.

Indicator	Unit	1990	1994	1995	1996
Gross domestic	bil. 87$	4884.9	5218.3	5369.6	5536.1
product, p. 5	% change	1.8	2.8	2.9	3.1
Index of indust.	1987=100	108.3	117.1	121.0	125.1
prod., p. 5	% change	1.4	2.6	3.3	3.4
Capacity	%	82.0	83.5	83.0	82.3
utiliz., p. 5	% change	-.9	.2	-.6	-.8
Unemployment	%	5.5	6.2	82.3	1.2
rate, p. 5	% change	.8	.1	-1.2	-1.1
Private housing	mil.units	1.2	1.3	1.2	1.3
starts, p. 5	% change	-6.3	4.1	-5.8	4.7
Car sales,	mil.units	9.5	10.3	10.6	11.0
p. 5	% change	-5.0	3.2	2.8	4.0
Implicit GDP	1987=100	112.9	130.9	135.8	140.3
price def.,p.11	% change	4.1	3.8	3.7	3.3
Consumer Price	82-84=100	130.7	149.7	155.1	161.0
Index, p. 11	% change	4.8	3.7	3.6	3.8
Prod.Price Index	1982=100	119.4	136.8	142.3	147.9
(fin.goods),p.11	% change	5.1	4.9	4.0	3.9
Federal Deficit	bil. $	-194.6	-171.7	-136.7	-110.8
p. 21	% change	-8.4	-17.9	-20.4	-18.9
Personal Income	bil. $	4679.8	6256.7	6732.2	7284.2
p. 23	% change	6.7	7.8	7.6	8.2
Prime Rate	%	10.0	7.1	7.6	8.2
p. 27	% change	-3.5	-3.6	7.0	8.0
Mortgage Rate	%	9.8	9.6	9.9	9.7
p. 27	% change	-2.4	5.0	2.7	-1.8
Currency+demand	bil. $	811.6	976.4	1029.1	1091.9
deposits , p. 25	% change	3.7	5.0	5.4	6.1
Commercial+ind.	bil. $	577.2	592.8	610.0	624.0
loans, p. 25	% change	3.1	2.7	2.9	2.3
Raw steel	mil.sh.tons	93.1	92.4	93.4	90.2
production	% change	1.3	-.7	1.0	-3.4
Electric power	mil.kw-hr	3072	3176.4	3300.3	3438.9
production	% change	3.0	3.4	3.9	4.2
Bituminous coal	mil.sh.tons	947	956.5	960.3	973.7
production	% change	1.3	1.0	.4	1.4
Crude oil	avg. daily bbl.	2973	3032.5	3062.8	3090.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2261.2	2421.8	2598.6
p. 7	% change	5.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ 1.57%	Private housing starts
+ .23%	Index Indust. Prod.
0.00%	Capacity Util.
- .02%	GDP
- .29%	Autos
- .40%	Unemployment

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

THE MAJORITY OF KEY INDICATORS OF THE ECONOMY POINT CONVINCINGLY IN THE UPWARD DIRECTION FOR MONTHS AHEAD, AND FOR THE REST OF THIS YEAR.

In February, and/or early March, data on the following aggregates have shown signficiant improvements when compared to previous months: unemployment claims, car sales, factory orders, industrial production, housing starts, index of purchasing managers, index of leading indicators, and indexes of consumer confidence.

The recovery is clearly on the way and forecast data indicate that it will be long-lasting. Data call for a steady growth of the economy this year, in 1993 and beyond. However, data also indicate that the pace of the recovery will continue to be imbalanced when compared to the number of employed persons. This year, the next, and beyond, the unemployment rate is expected to be declining only marginally while total output of goods and services will be expanding at solid rates.

Two reasons for this imbalance have already been outlined in the previous issue of KES:

First, structural changes being made in some industries, notably banking, insurance, transportation, chemicals, printing and publishing, and some segments of durable goods industries, will cause a weak demand for labor.

Second, reductions in defense expenditures which affect employment in defense and defense-related industries will continue having a multiplying negative effect on the overall employment picture. While structural changes are expected to subside in 2-3 years, the effect of declines in defense expenditures will be long-lasting.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GDP	Index of ind. prod.	Unem-ploy ment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$87 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1990*	4884.9	109.2	5.51	82.3	1.193	9.5
1991:1*	4824.0	105.5	6.52	77.9	.915	8.2
2*	4840.7	107.2	6.83	77.8	.998	8.9
3*	4861.0	108.1	6.77	78.6	1.049	8.9
4*	4868.0	108.2	6.97	78.5	1.101	8.7
YEAR	4848.4	107.2	6.77	78.2	1.016	8.7
% change from '90	-.7	-1.8	22.9	-5.0	-14.9	-8.7
1992:1	4887.1	108.1	7.28	78.4	1.073	8.8
2	4935.4	108.3	7.04	79.0	1.131	9.2
3	4971.2	109.6	6.72	80.1	1.170	9.8
4	5011.4	112.0	6.68	82.0	1.196	9.9
YEAR	4951.3	109.5	6.93	79.9	1.143	9.4
% change from '91	2.1	2.1	2.3	2.1	12.5	8.6
1993:1	5031.1	112.9	6.54	82.6	1.188	9.6
2	5063.3	113.2	6.28	83.1	1.268	9.9
3	5090.1	114.8	6.11	83.5	1.290	10.1
4	5120.2	115.8	6.02	84.0	1.274	10.3
YEAR	5076.2	114.2	6.24	83.3	1.255	10.0
% change from '92	2.5	4.3	-10.0	4.3	9.8	5.8

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+	.11%	Pers. Con. Expend. Services
+	.03%	Retail Sales Durables
+	.02%	Retail Sales Total
+	.03%	Retail Sales Nondurable
+	.02%	Pers. Con. Expend. Durable
-	.05%	Pers. Con. Expend. Nondurable

RECENTLY RELEASED DATA ON RETAIL SALES ARE ENCOURAGING. In February, retailers increased their sales significantly above the January level by 1.3%, after climbing 2.1% in January over December 1991.

Data for the second half of this year point to major increases in consumer spending on durables Compared to the expected 5.4% increase in spending on durables in the first half of the year over the second half of 1991, spending on durables in the second half of this year is expected to soar by 9.6%. Data indicate consumers will significantly increase their spending on motor vehicles, especially light-duty trucks, jeeps and other vehicles of this category, and on building materials, home furnishings, and hardware.
Data on spending on nondurables and services also indicate positive trends will continue for months ahead.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondur-ables	Services	Total	Durables	Nondur-ables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1990*	465.9	1217.7	2060.3	1807.2	654.8	1152.4
1991:1*	440.7	1246.3	2140.7	1780.1	663.4	1116.7
2*	440.0	1252.9	2215.6	1817.6	674.6	1143.0
3*	452.8	1258.9	2203.9	1846.8	682.0	1163.8
4*	447.3	1251.1	2245.0	1882.5	687.9	1194.6
YEAR	445.2	1252.3	2201.3	1831.8	677.0	1154.5
% change from '90	-4.4	2.8	6.8	1.4	3.4	.2
1992:1	454.9	1272.4	2241.2	1908.9	709.5	1199.4
2	468.2	1283.3	2326.4	1929.6	726.2	1186.5
3	488.5	1313.6	2379.9	1947.2	737.1	1210.1
4	509.2	1338.7	2429.2	2019.3	755.4	1263.9
YEAR	480.2	1302.0	2344.2	1951.2	732.0	1215.0
% change from '91	7.9	4.0	6.5	6.5	8.1	5.2
1993:1	513.4	1361.7	2479.8	2030.6	774.1	1256.5
2	522.3	1384.5	2534.7	2071.2	800.2	1271.0
3	537.3	1391.7	2581.3	2101.7	814.2	1287.5
4	555.2	1398.4	2656.7	2187.0	820.1	1366.9
YEAR	532.0	1384.1	2563.1	2097.6	802.2	1295.5
% change from '92	10.8	6.3	9.3	7.5	9.6	6.6

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ 4.58%	Net Exports
+ .05%	Federal Govt. Purch.
+ .01%	Pers. Con. Expend.
- .02%	GDP
- .03%	State Local Purch.
- .08%	Gross Private Dom. Invest.

FORECAST DATA INDICATE THAT GDP WILL GROW AT 1.8% RATE IN THE FIRST HALF OF 1992.

The March revision of data on GDP for the 1991:4 brought only insignificant changes when compared to the previously related data: the 1991:4 growth rate of the economy has been reduced from previously estimated .8% rate to the .4% rate. For the year 1991, the rate has remained unchanged: the 1991 GDP declined by .7% when compared to the level of 1990.
The growth will accelerate in the second half of this year averaging 2.5%. For this year, forecast shows a 2.3% increase in GDP over last year. For comparison, the latest figure released by the Administration shows the 3% growth this year. KEDI does not expect the economy will grow as fast this year.

TABLE 1.13
REAL GDP
Quarterly data are seasonally adjusted at annual rates.

	-----------Gross Domestic Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1990*	4884.9	3262.6	744.5	-51.3	380.9	548.2
1991:1*	4824.0	3241.2	657.0	-18.6	391.7	552.7
2*	4840.7	3252.3	656.3	-12.3	392.7	551.7
3*	4861.0	3270.6	687.6	-32.3	384.1	551.0
4*	47668.0	3271.1	694.9	-21.3	370.7	552.7
YEAR	4848.4	3258.8	674.0	-21.1	384.8	552.0
% change from '90	-.7	-.1	-9.5	-58.8	1.0	.7
1992:1	4887.1	3278.7	704.3	-23.1	374.1	553.1
2	4935.4	3322.3	708.2	-28.7	377.4	556.2
3	4971.2	3347.5	716.0	-31.6	380.1	559.2
4	5011.4	3375.6	726.3	-34.7	382.5	561.7
YEAR	4951.3	3331.0	713.7	-29.5	378.5	557.6
% change from '91	2.1	2.2	5.9	39.8	-1.6	1.0
1993:1	5031.1	3393.2	731.9	-40.1	383.1	563.0
2	5063.3	3412.1	740.5	-39.1	384.4	565.4
3	5090.1	3429.5	747.2	-37.8	384.0	567.2
4	5120.2	3441.5	758.8	-32.7	383.1	569.5
YEAR	5076.2	3419.1	744.6	-37.4	383.6	566.3
% change from '92	2.5	2.6	4.3	26.8	1.4	1.6

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ .04%	State Local Purch.
+ .04%	Pers. Cons. Expend.
+ .02%	Producer Price Index
0.00%	Federal Govt. Purch.
0.00%	GDP
- .04%	Consumer Price Index

THE PRICE OUTLOOK FOR THE REST OF THIS YEAR AND 1993 CALLS FOR MODERATE RATES OF INFLATION AT CONSUMER AND PRODUCER LEVELS.

Measures by the Consumer Price Index, inflation rate is predicted to be 3.1% this year, and 3.3% in 1993. Data on Producer Price Index for finished goods also point to a moderate growth of the producer price level: 2.3% this year, and 3.1% in 1993.

Data emphasize the following factors to be the main contributors to the expected slow pace of inflation: slow growth of the economy as a whole, relatively low levels of capacity utilization in manufacturing, construction, and services producing industries, high unemployment, moderate increases in existing and expected wage contracts, and stable prices of raw materials and energy in international markets.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1990*	130.7	119.8	112.9	114.8	111.6	112.7
1991:1*	134.8	121.3	115.9	118.2	115.3	115.3
2*	135.4	121.9	117.6	120.2	115.1	116.1
3*	135.9	122.2	117.4	119.7	115.7	116.8
4*	136.1	122.3	117.9	120.6	115.9	117.6
YEAR	135.6	121.9	117.2	119.7	115.5	116.4
% change from '90	3.7	1.8	3.8	4.3	3.5	3.3
1992:1	136.8	123.5	118.4	121.0	116.6	118.4
2	138.3	124.4	119.9	122.7	117.8	119.2
3	139.4	125.9	121.7	124.9	119.0	120.4
4	141.3	126.9	123.0	126.7	119.9	121.2
YEAR	139.0	125.2	120.8	123.9	118.3	119.8
% change from '91	2.5	2.7	3.0	3.5	2.4	2.9
1993:1	142.7	127.9	124.3	128.3	121.0	122.0
2	143.6	128.6	125.6	130.2	122.1	123.0
3	144.8	131.9	126.5	131.5	123.7	124.2
4	146.5	133.4	128.2	134.0	124.6	125.8
YEAR	144.4	130.4	126.1	131.0	122.8	123.8
% change from '92	3.9	4.2	4.5	5.8	3.8	3.3

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*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ 4.19%	Net Exports
+ .05%	Pers. Cons. Expend.
+ .02%	Federal Govt. Purch.
0.00%	GDP
- .04%	State Local Purch.
- .08%	Gross Private Dom. Invest.

RECENTLY RELEASED DATA OF FINAL REVISIONS OF THE 1991:4 NOMINAL GDP AND COMPONENTS SHOW JUST A FEW SMALL CORRECTIONS WHEN COMPARED TO THE PREVIOUS ESTIMATE. The largest corrections took place in "net exports," due to larger-than-previously estimated imports. The estimate of exports has also been lowered a bit. The less favorable data for net exports has been compensated by the upward revision of data of consumer spending. That left the total of nominal GDP almost unchanged when compared to the month-earlier estimate.

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross Domestic Product----------------*					
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	5515.1	3743.9	802.6	-74.4	425.1	617.8
1991:1*	5591.0	3829.6	709.3	-36.8	451.6	637.3
2*	5692.7	3908.5	708.8	-17.2	452.0	640.5
3*	5706.8	3915.6	742.0	-38.8	444.4	643.6
4*	5739.4	3943.4	747.9	-31.4	432.0	647.5
YEAR	5682.5	3899.3	727.0	-31.0	445.0	642.2
% change from '90	3.0	4.1	-9.4	-58.3	4.7	3.9
1992:1	5786.3	3968.5	762.4	-35.6	436.2	654.9
2	5917.5	4077.9	769.3	-37.2	444.6	663.0
3	6050.0	4182.0	780.3	-37.9	452.3	673.3
4	6164.0	4277.1	785.6	-38.1	458.6	680.8
YEAR	5979.5	4126.4	774.4	-37.2	447.9	668.0
% change from '91	5.2	5.8	6.5	19.8	.7	4.0
1993:1	6253.7	4354.9	792.3	-44.0	463.6	686.9
2	6359.5	4441.5	796.7	-43.5	469.4	695.4
3	6439.0	4510.3	799.4	-50.2	475.0	704.5
4	6564.1	4610.3	807.1	-47.1	477.3	716.4
YEAR	6404.1	4479.3	798.9	-46.2	471.3	700.8
% change from '92	7.1	8.6	3.2	24.2	5.2	4.9

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ .04%	Unemployment
+ .02%	Civilian Labor Force
0.00%	Agriculture
0.00%	Population
- .19%	Total Employed
- .20%	Nonagriculture

FORECAST OF EMPLOYMENT IN THIS AND THE FOLLOWING YEAR IS NOT ENCOURAGING. Areas of the economy that are expected to continue having problems are segments of service-producing industries, notably banking, insurance, real estate, domestic communications, hotels and motels, travel, and airline transportation. In the construction industry, its segments of multi-family housing and nonresidential construction, namely office, plants and malls, structures are expected to have high unemployment rates. In manufacturing, relatively high numbers of unemployed are expected in printing and publishing, and some segments of fabricated metal products and machinery.

During this year and next, health care and related industries are expected to be the main creators of new jobs: 420 thousand new jobs this year, and another 460 thousand in 1993.

TABLE 1.30
EMPLOYMENT & LABOR
Quarterly data are seasonally adjusted at annual rates.

			-------Employment-------			
INDICATOR	Population	Civil. labor force	Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1990*	260.9	124.8	117.9	3.2	114.7	5.51
1991:1*	262.6	124.0	115.9	3.2	112.7	6.52
2*	263.1	125.1	116.6	3.2	113.4	6.83
3*	264.2	126.3	117.7	3.2	114.5	6.77
4*	265.7	127.5	118.6	3.2	115.4	6.97
YEAR	263.9	125.7	116.9	3.2	113.7	6.77
% change from '90	1.1	.7	.7	0.0	-.9	22.9
1992:1	266.0	127.1	117.8	3.2	114.6	7.28
2	266.4	127.4	118.4	3.2	115.2	7.04
3	267.0	127.5	118.9	3.2	115.7	6.72
4	267.9	128.2	119.6	3.2	116.4	6.68
YEAR	266.8	127.5	118.7	3.2	115.5	6.93
% change from '91	1.1	1.5	1.4	0.0	1.6	2.3
1993:1	269.8	129.0	120.6	3.2	117.4	6.54
2	270.3	130.0	121.8	3.2	118.6	6.28
3	271.2	130.9	122.9	3.2	119.7	6.11
4	272.1	131.6	123.7	3.2	120.5	6.02
YEAR	270.9	130.4	122.2	3.2	119.0	6.24
% change from '92	1.5	2.2	2.4	0.0	3.1	-9.99

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ .03%	1-family housing new
0.00%	1-family housing existing
- .29%	Mobile home shipments
- .30%	Multiple family housing starts
- .32%	1-family housing starts
- .42%	Permits issued

REPORTS ON HOUSING SHOW THAT IT CONTINUES IN AN UPSWING. Forecast data indicate that the housing market is getting stronger. The February drop in new home sales is considered here to be just a temporary aberration from trend. Data show that currently the supply of new homes is approximately at 5.2 months at the current sales rate, the lowest since a 4.7 month supply in April 1986.

For this year, forecast data indicate a quite impressive gain of 12.8% in single-family housing starts over the last year's total, and additional 1.9% rise in 1993 over this year's expected total.

Forecast data on this year's apartment starts are not as impressive. Main increase in number of multi-family starts is expected to take place in 1993.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home ship-ments	Permits author-ized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1990*	.895	.298	.188	1.111	149.0	118.3
1991:1*	.726	.189	.167	.840	152.3	122.1
2*	.863	.167	.170	.964	147.2	127.8
3*	.881	.168	.175	.986	148.7	131.9
4*	.971	.130	.166	.990	149.6	133.4
YEAR	.860	.164	.170	.945	149.4	128.8
% change from '90	-3.9	-45.1	-9.8	-14.9	.3	8.9
1992:1	.931	.142	.160	.972	150.1	134.2
2	.980	.151	.201	.998	154.0	137.9
3	.964	.206	.206	1.170	160.2	140.1
4	.970	.226	.172	1.130	165.3	142.2
YEAR	.961	.181	.185	1.067	157.4	138.6
% change from '91	11.7	10.9	9.0	13.0	5.3	7.6
1993:1	.964	.224	.190	.981	167.3	144.2
2	.998	.270	.204	.998	170.2	147.3
3	1.004	.286	.208	1.127	175.3	148.7
4	.989	.285	.201	1.106	178.4	1419.6
YEAR	.989	.266	.201	1.053	172.8	464.9
% change from '92	2.9	46.9	8.7	-1.4	9.8	235.5

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1992 FORECAST DATA

Percent Change from March 1992 Forecast

0.00%	Imported Car Sales
0.00%	Dealer Inventory
0.00%	Light Truck Sales
- .29%	Total Car Sales
- .41%	Domestic Car Sales
- .41%	Shipments

SALES OF DOMESTICALLY-BUILT VEHICLES ROSE 5.2% IN LATE MARCH, LEAD BY A STRONG BUYING SURGE OF MINIVANS, PICKUPS AND OTHER LIGHT TRUCKS.

The seasonally adjusted annual rate for car sales in late March was 6.2 million compared with 5.8 million in mid-March.

For all of March, vehicle sales of all types, imported and domestic, were up 2.5&.

Forecast data for the second half of this year indicate that markets for vehicles will continue gaining strength.

Forecast of profits of the entire group of automakers shows that, in total, they will break even this year.

Data for 1993 indicate the favorable trend will continue.

This year, total car sales (domestic and imported) are expected to increase by 9.4% compared to the last year's sales, and in 1993 by an additional 5.6% over this year.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1990*	9.5	6.9	2.6	1.4	6.6	3.7
1991:1*	8.2	6.0	2.2	1.3	6.0	3.2
2*	8.9	6.2	2.7	1.4	6.1	3.5
3*	8.9	6.1	2.8	1.4	6.2	3.5
4*	8.7	6.0	2.7	1.5	6.0	3.4
YEAR	8.7	6.1	2.6	1.5	6.1	3.4
% change from '90	-8.7	-12.0	0.0	7.1	-8.0	-8.1
1992:1	8.8	6.0	2.8	1.6	6.0	3.5
2	9.2	6.3	2.9	1.6	6.2	3.7
3	9.8	6.8	3.0	1.7	6.6	4.0
4	9.9	7.0	2.9	1.7	6.7	3.9
YEAR	9.4	6.5	2.9	1.7	6.4	3.8
% change from '91	8.6	-2.9	11.5	13.3	4.9	11.0
1993:1	9.6	6.4	3.2	1.7	6.8	4.1
2	10.2	6.7	3.2	1.8	6.9	4.2
3	10.8	6.9	3.2	1.7	7.0	4.4
4	10.7	7.0	3.3	1.8	7.1	4.3
YEAR	10.0	6.8	3.2	1.8	7.0	4.2
% change from '92	5.8	-5.4	11.2	5.9	9.0	12.6

*Historical data. R = Revised. P = Preliminary.

**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

FORECAST DATA ON FEDERAL BUDGET DEFICITS RECENTLY RELEASED BY THE ADMINISTRATION AND THE CONGRESSIONAL BUDGET OFFICE HAS ONE SUBSTANCE IN COMMON: both have abandoned the idea that the Federal budget would have a surplus by the mid-1990s. The Administration, now, is predicting the deficit to be nearly $200 billion in fiscal year 1996 and the Congressional Budget Office outlook is even dimmer.

KEDI's forecast for Federal budget deficits presented for months have shown that the image of a balanced budget in a foreseeable future is far from being realistic.

KEDI's long-term forecast data for 1996 and beyond do not point to anything significant that even approaches a balanced budget at all.

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ .26%	Federal Surplus Deficit
+ .11%	State Corp. Tax Accrued
+ .05%	Corporate Profit Tax
0.00%	State Surplus Deficit
- .03%	State Income Tax
- .18%	Federal Income Tax

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL----------*			*---STATE AND LOCAL----*		
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	492.8	108.5	-166.0	206.6	23.6	35.4
1991:1*	501.3	95.0	-126.9	213.3	20.1	30.0
2*	499.5	97.6	-184.6	217.1	21.0	38.4
3*	503.1	96.2	-199.8	219.1	23.2	38.8
4P	504.0	98.6	-214.6	223.0	24.2	39.2
YEAR	502.0	96.8	-181.5	218.1	22.1	36.6
% change from '90	1.9	-10.7	9.3	5.6	-6.3	3.4
1992:1	518.6	101.4	-219.7	226.0	25.2	40.1
2	523.8	105.0	-234.5	228.4	26.2	41.0
3	542.0	108.4	-236.8	236.1	29.1	41.7
4	558.1	112.9	-229.8	240.2	31.4	42.3
YEAR	535.6	106.9	-230.2	232.7	28.0	41.3
% change from '91	6.7	10.4	26.8	6.7	26.4	12.8
1993:1	577.4	120.6	-222.4	250.6	32.4	43.5
2	584.5	125.3	-219.2	262.2	33.6	44.7
3	600.1	128.2	-205.3	276.5	34.7	46.2
4	611.7	131.4	-189.6	281.4	36.2	48.3
YEAR	593.4	126.4	-209.1	267.7	34.2	45.7
% change from '92	10.8	18.2	-9.2	15.0	22.3	10.7

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ .45%	Personal Income
0.00%	Personal Disp. Income
- .01%	Average Weekly Earnings
- .12%	Comp. of Employees
- .57%	Corporate After tax profit
- .59%	Personal Savings

DATA ON PERSONAL INCOME, PERSONAL DISPOSABLE INCOME AND MOST OF THEIR COMPONENTS SUGGEST MODERATE, NOT SPECTACULAR BUT STEADY INCREASES IN BOTH FORECAST YEARS.

Compared to personal income, data on corporate profits point to a vigorous growth this and the following year. Total of corporate after-tax profits is expected to grow by 9.3% this year and by 10.7% in 1993. Data indicate that automakers, steel, the savings and loan segment, and construction firms in single-family housing will start generating profit this year. On the other side, segments of domestic communications, airline passenger transportation, hotel and motel services, travel services, and many insurance companies will have to wait another year to get back to normal.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1990*	4679.8	3980.4	3301.5	197.0	206.6	443.5
1991:1*	4768.0	4053.4	3428.1	189.7	213.4	449.1
2*	4821.1	4104.5	3442.8	182.7	229.6	456.3
3*	4854.0	4131.8	3411.9	189.9	212.8	463.8
4*	4985.3	4276.8	3471.1	190.2	223.4	464.2
YEAR	4857.1	4141.6	3438.5	188.1	219.8	458.4
% change from '90	3.8	4.1	4.1	-4.5	6.4	3.3
1992:1	5148.0	4403.4	3602.3	192.0	220.6	468.5
2	5272.4	4520.2	3670.2	200.4	224.1	473.9
3	5410.4	4632.3	3775.2	201.4	228.9	476.4
4	5575.5	4777.2	3790.1	204.7	226.5	483.9
YEAR	5351.6	4583.3	3709.4	199.6	225.0	475.7
% change from '91	10.2	10.7	7.9	6.1	2.4	3.8
1993:1	5626.7	4798.7	3880.2	208.1	216.6	485.9
2	5747.2	4900.5	3971.1	211.6	227.6	489.7
3	5855.7	4979.1	4033.5	214.0	233.2	494.2
4	5986.1	5093.0	4127.4	220.3	243.3	499.7
YEAR	5803.9	4942.8	4003.0	213.5	230.2	492.4
% change from '92	8.5	7.8	7.9	7.0	2.3	3.5

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+	.02%	Currency and demand deposits
-	.01%	Time deposits
-	.03%	Commercial industrial loans
-	.04%	Commercial install credit
-	.13%	Large denom. time deposits
-	.28%	Mortgages at all holders

FORECAST DATA ON FINANCIAL MARKETS FOR THIS AND THE NEXT YEAR SHOW THE FASTEST EXPENDING MARKETS TO BE THOSE FOR U.S. GOVERNMENT SECURITIES DUE TO SIGNIFICANT INCREASES IN FEDERAL GOVERNMENT DEFICITS EXPECTED IN BOTH FORECAST YEARS.
Fairly good expansion rates are also predicted for single-family mortgages. In 1993, strong markets are predicted for corporate securities, notably for corporate bonds. Forecast data show that in the next year the recovery will continue and businesses will increase their capital outlays significantly in comparison with what they did in 1991 and this year. Markets for certificates of deposits are expected to remain weak in both forecast years. It is anticipated that interest rates will not be increasing fast enough to become a stimulus for investors to ionvest in these instruments. Data for consumer credit indicate that consumers will start increasing their indebtedness in the second half of this year and continue borrowing more than what they would pay back in the following year. Next largest increases are predicted for automobile and housing-improvement loans.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDI-CATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	812.2	3293.2	748.3	577.2	533.9	3857.7
1991:1*	830.2	3371.6	725.5	578.1	536.0	3876.7
2*	851.2	3385.4	728.3	580.9	541.4	3925.1
3*	865.4	3392.0	729.0	581.3	535.1	3972.1
4P	872.8	3410.4	728.1	581.9	529.4	3990.2
YEAR	854.9	3389.8	728.1	581.9	529.4	3990.2
% change from '90	5.3	2.9	-2.7	5.3	-.8	3.4
1992:1	880.4	3420.1	727.4	584.7	527.4	4024.4
2	894.1	3454.3	730.1	586.2	528.0	4137.7
3	903.0	3491.2	736.8	590.0	530.1	4201.2
4	910.2	3568.1	740.1	594.3	532.2	4206.5
YEAR	896.9	3483.4	740.1	594.3	532.2	4206.5
% change from '91	4.9	2.8	1.6	2.1	.5	5.4
1993:1	916.4	3582.1	745.4	597.3	536.1	4255.6
2	921.5	3611.2	749.3	601.2	539.7	4300.4
3	936.4	3688.1	757.8	608.7	542.5	4363.2
4	945.3	3761.2	771.2	612.6	546.7	4401.2
YEAR	929.9	3660.6	771.2	612.6	546.7	4401.2
% change from '92	3.7	5.1	4.2	3.1	2.7	4.6

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1992
FORECAST
DATA

Percent Change
from
March 1992
Forecast

+ .06%	Prime rate
+ .06%	Conv. mortg. rate
+ .03%	30 yr. Govt. bond yield
- .14%	Treasury bills 3 mo. yield
- .25%	S & P's 500 avg.
- 1.43%	Aaa corp bonds

FORECAST DATA FOR INTEREST RATES CALL FOR TEMPORARY AND MARGINAL DROPS IN RATES IN THESE MONTHS AND SLIGHT INCREASES IN SHORT- AND LONG-TERM RATES IN THE SECOND HALF OF THIS YEAR, MOSTLY IN 1992:4. Increases are expected to accelerate in 1993. Data point to two main reasons why interest rates are expected to start their upward trend in the second half of this year:

Forecast data show that in the second half of this year the economy will be on the solid path of recovery and will not need stimulus in the form of low interest rates.
The second reason is based on expected global developments. It is anticipated that most of the industrialized countries will not follow the U.S. lead by drastically reducing interest rates in the way the Federal Reserve did at the end of last year. Therefore, the existing significant gap between low U.S. rages and relatively high overseas rates is not expected to last too long, and the U.S. rates will have to adjust in the upward direction.
The outlook for stock and bond markets calls for slow but persistent growth during the rest of this year which will accelerate a bit in 1993.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1990*	7.51	10.00	9.78	9.32	8.55	334.59
1991:1*	5.97	8.84	9.34	8.80	8.19	370.72
2*	5.59	8.50	9.31	8.62	8.39	379.70
3*	5.41	8.40	9.10	8.75	8.15	385.61
4*	4.36	7.52	8.51	8.21	7.72	391.02
YEAR	5.33	8.31	9.06	8.60	8.11	381.76
% change from '90	-29.0	-16.9	-7.3	-7.8	-5.1	14.1
1992:1	3.79	6.50	8.44	8.24	7.82	408.25
2	3.82	6.50	8.35	8.32	7.86	410.10
3	3.94	6.54	8.38	8.46	7.74	415.41
4	4.10	6.80	8.67	8.62	7.88	413.47
YEAR	3.91	6.58	8.46	8.41	7.83	411.81
% change from '91	-26.6	-20.8	-6.7	-2.2	-3.5	7.9
1993:1	4.32	7.18	8.81	8.76	7.94	419.54
2	4.86	7.24	9.03	9.14	8.11	423.32
3	5.19	7.43	9.33	9.17	8.08	424.84
4	5.58	7.56	9.56	9.20	8.04	430.24
YEAR	4.99	7.35	9.18	9.07	8.04	424.49
% change from '92	27.5	11.7	8.5	7.8	2.8	3.1

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue Capacity Utilization has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure is in Federal Reserve Bulletin (Board of Governors of the Federal Reserve System, Washington, D.C.), February 1992 issue.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Capacity Utilization, Total (%)
Actual figure: 79.3

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	82.0	+ 3.4
Manufacturers Hanover Trust, NY	12/90	80.2	+ 1.1
Valley National Bank, AR	11/90	83.4	+ 5.2
Metropolitan Life, NY	12/90	80.8	+ 1.9
K.E.D.I., Inc, OH	12/90	83.2	+ 4.8
Fidelity Bank, PA	12/90	81.8	+ 3.2
Lloyds Bank, NY	12/90	80.6	+ 1.6
Society Bank, OH	12/90	79.0	- .4
Fleet National Bank, RI	12/90	78.7	- .8
John Hancock, MA	12/90	80.1	+ .1
Paine Webber, NY	12/90	79.5	+ .3

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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SOURCES:

The U. S. Department of Commerce first quarter 1992 first GDP estimates of Income and Produce data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, April 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Data for April and early May confirm that recovery in most elements of the economy and economy as a whole is firmly on its way.

Prices

The price outlook for this year calls for 3.3% increase of prices at the consumer price level, and 3.2% at the producer price level.

Employment & Labor

Company payrolls increase by 126,000--another clear sign that the recovery has spread to job markets.

Housing

In March, housing starts jumped 6.4% mainly due to increases in multi-family starts--the fourth quarter increase in a row.

Automobiles

This year's forecast calls for a turn-around in the automobile industry.

Budgets

Compared to data in the April KES forecast, data for Federal budget deficit on income and product basis has been increased.

Income

Data for the rest of this year point to a slow growth in most components of personal incomes.

Money & Credit

Look for a slowing down policy for the fast growth of money supply M1 experience at the end of last year and the start of this year.

Interest Rates, Yields & Securities Prices

Forecast of low interest rates lasting this and the following quarter is maintained.

O.02 ASSUMPTIONS

		Update
1.	In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2.	Monetary and credit policies are expected to tighten in the last quarter of 1992 and afterward.	December 1991
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

O.03 FORECAST HIGHLIGHTS

*	Table O.OO on page 3 shows forecast data of selected indicators of the May 1992 KEDI forecast.	
*	Growth will accelerate in the second half of 1992.	January 1992
*	The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	In the second half of 1992 interest rates will be increasing.	October 1991
*	Federal budget deficits will keep declining in 1993 and the following years.	July 1991
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1992, 1993 and 1994 are on pages indicated below.

Indicator	Unit	1991	1995	1996	1997
Gross domestic	bil. 87$	4884.9	5370.1	5525.9	5697.2
product, p. 5	% change	-.7	2.9	2.9	3.1
Index of indust.	1987=100	107.2	121.5	125.2	129.3
prod., p. 5	% change	-1.8	2.6	3.1	3.2
Capacity	%	78.2	84.4	84.7	84.5
utiliz., p. 5	% change	-5.0	.2	.3	-.2
Unemployment	%	6.9	5.9	84.0	1.3
rate, p. 5	% change	6.8	.1	-.3	-.4
Private housing	mil.units	1.6	1.3	1.3	1.3
starts, p. 5	% change	-15.0	4.1	-.2	.4
Car sales,	mil.units	8.7	10.3	10.6	11.2
p. 5	% change	-8.8	3.2	2.8	6.0
Implicit GDP	1987=100	117.2	136.0	141.0	145.6
price def.,p.11	% change	3.8	3.8	3.7	3.3
Consumer Price	82-84=100	135.6	153.8	159.3	165.4
Index, p. 11	% change	3.7	3.7	3.6	3.8
Prod.Price Index	1982=100	121.9	144.7	150.5	156.4
(fin.goods),p.11	% change	1.8	4.9	4.0	3.9
Federal Deficit	bil. $	-181.5	-173.4	-151.5	-133.8
p. 21	% change	9.3	-10.4	-12.6	-11.7
Personal Income	bil. $	4843.7	5552.7	5974.7	6464.7
p. 23	% change	3.8	7.8	7.6	8.2
Prime Rate	%	8.3	7.4	7.9	8.5
p. 27	% change	-17.0	-3.6	7.0	8.0
Mortgage Rate	%	9.0	10.2	10.5	10.3
p. 27	% change	-7.3	5.0	2.7	-1.8
Currency+demand	bil. $	895.4	1069.2	1105.6	1149.8
deposits , p. 25	% change	13.6	5.0	3.4	4.0
Commercial+ind.	bil. $	582.3	592.8	610.0	624.0
loans, p. 25	% change	3.2	2.7	2.9	2.3
Raw steel	mil.sh.tons	87.6	92.4	93.6	95.5
production	% change	-3.4	-.7	1.2	2.1
Electric power	mil.kw-hr	3192	3170.3	3287.6	3396.1
production	% change	2.9	3.2	3.7	3.3
Bituminous coal	mil.sh.tons	941	954.6	957.4	968.0
production	% change	.3	.8	.3	1.1
Crude oil	avg. daily bbl.	2902	2970.0	2943.3	2966.8
output	% change	-.5	-.1	-.9	.8
Retail sales	bil. $	1834.5	2524.5	2703.7	2901.1
p. 7	% change	1.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES
1.11 REAL GROWTH

See Table 1.11
Page 5

DATA FOR APRIL AND EARLY MAY CONFIRM THAT THE RECOVERY IN MOST SEGMENTS OF THE ECONOMY AND THE ECONOMY AS A WHOLE IS FIRMLY ON ITS WAY.

Indicators that show the recovery will continue for months ahead are:

- orders for durables
- index of leading indicators
- housing starts
- Index of Industrial Production
- Index of Purchasing Managers
- car sales
- sales of large retailers

April data of all these indicators were above the March data, and some of them, like housing starts, and Index of Purchasing Managers jumped significantly. A clear sign of better times ahead provides the umeployment rate and unemployment insurance claims that dropped in April, for the first time in many months.

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+14.78%	Private housing starts
+ 5.46%	Autos
+ 3.86%	Unemployment
+ 2.24%	GDP
+ 2.14%	Capacity Util.
+ 1.91%	Index Indus. Prod.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GDP	Index of ind. prod.	Unem-ploy ment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$87 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1991*	4848.3P	107.1	6.76	78.2	1.016P	8.7P
1992:1	4891.9P	105.5	7.29	78.5	1.079	8.2
2*	4937.8	108.4	7.16	78.8	1.131	9.1
3*	4978.2	110.4	6.92	80.2	1.185	9.6
4*	5019.4	112.7	6.88	82.0	1.196	9.8
YEAR	4956.8	109.2	7.06	79.9	1.148	9.2
% change from '91	2.2	2.0	4.5	2.1	13.0	5.5
1993:1	5041.1	113.6	6.64	83.0	1.188	9.8
2	5075.2	114.0	6.58	83.4	1.268	9.9
3	5099.8	115.0	6.21	84.0	1.290	10.1
4	5132.6	115.9	6.12	84.2	1.274	10.3
YEAR	5087.2	114.6	6.39	83.7	1.255	10.0
% change from '92	2.6	4.9	-9.6	4.7	9.3	9.3
1994:1	5166.2	117.0	5.94	84.3	1.201	9.8
2	5199.4	118.1	5.90	84.5	1.259	9.9
3	5235.7	118.8	5.92	83.5	1.309	10.1
4	5273.9	119.7	5.93	84.7	1.284	10.1
YEAR	5218.8	118.4	5.92	84.2	1.263	10.0
% change from '93	2.6	3.3	-7.3	.7	.7	-.5

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+12.56%	Retail Sales Total
+11.53%	Retail Sales Nondurable
+ 9.84%	Retail Sales Durable
+ 6.81%	Pers.Con. Expend. Services
+ 5.97%	Pers. Con. Expend. Durable
+ 4.65%	Pers. Con. Expend. Nondurable

IN JANUARY AND FEBRUARY OF THIS YEAR, RETAIL SALES ADVANCED STRONGLY BY 2.1% AND 1.3%, RESPECTIVELY.

The March preliminary figure shows a slight drop of .4%. That makes a 1% sales increase in a quarter--a good performance since, traditionally, the first quarter is considered the weakest quarter in sales in a year. Data, seasonally adjusted, shows a 2.9% gain over the first quarter of 1991.
The outlook for retail sales in the following quarters of this year speaks for continuous increases. The main gains are expected to be in sales of durables, notably automobiles and parts, household furnishings, building materials, and hardware. Sales of services are also expected to expand at faster rates, when compared to those experienced in the last year. In the nondurable segment of retail sales, forecast for the rest of the year calls for regular gains in sales of textiles, apparel and footwear. Look for faster growth in sales of food and related items.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	*--Personal Cons. Expend.-**			------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1991*	447.3	1256.8	2207.2	1834.5	681.2	1161.4
1992:1	445.2	1274.4	2306.8	2019.3	709.6	1309.7
2	458.2	1294.3	2413.9	2039.6	726.4	1313.2
3	480.5	1325.6	2439.1	2047.2	739.1	1163.8
4	503.2	1347.7	2245.1	2119.3	755.4	1363.9
YEAR	471.8	1310.5	2351.2	2056.3	732.6	1287.6
% change from '91	5.5	4.3	6.5	12.1	7.5	10.9
1993:1	513.5	1372.7	2459.9	2137.7	774.4	1363.3
2	522.3	1384.5	2496.8	2171.2	800.2	1186.5
3	537.3	1391.2	2565.5	2211.7	814.2	1397.5
4	555.2	1398.4	2620.2	2187.0	820.1	1366.9
YEAR	532.1	1386.7	2535.6	2176.9	802.2	1328.5
% change from '92	12.8	5.8	7.8	5.9	9.5	3.2
1994:1	567.4	1412.6	2717.9	2301.2	832.1	1469.1
2	584.3	1428.5	2776.7	2328.7	842.6	1486.1
3	599.0	1447.4	2858.7	2354.6	856.7	1497.9
4	614.3	1465.2	2917.8	2382.8	869.2	1513.6
YEAR	591.2	1438.4	2817.8	2341.8	850.2	1491.7
% change from '93	11.1	3.7	11.1	7.6	6.0	12.3

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

PRELIMINARY ESTIMATE OF GDP IN 1992:1 SHOWS THE ECONOMY GREW AT 2% ANNUAL PACE, THE FOURTH STRAIGHT QUARTERLY GAIN.

The growth was fueled by consumers who increased their purchases by 5.3%, and by residential construction which rose by 15.8%. In the first quarter, business inventories declined by $26.1 bil. after rising $7.5 bil. in the October-December 1991 quarter. This combination of the dcline in inventories and stronger demand creates conditions for strong production gains in the quarters to follow--the second and third quarter of this year at least. KEDI's prediction of growth of GDP for the entire year calls for 2.2% growth, followed by 3.0% in 1993.

1992 FORECAST DATA

Percent Change
from
April 1992
Forecast

+11.37%	Net Exports
+ 4.68%	Gross Private Dom. Invest.
+ 2.41%	Pers.Cons. Expend.
+ 2.24%	GDP
+ 1.09%	State Local Purch.
- 1.41%	Federal Govt. Purch.

TABLE 1.13
REAL GDP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross Domestic	Product	----------	----------	----------	-------*
	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1991*	4848.3	3272.2	674.0	-21.3	370.7	552.7
1992:1	4891.9 P	3311.4 P	666.1 P	-17.8 P	377.5 P	554.7 P
2	4937.8	3333.9	692.3	-22.3	377.5	556.4
3	4978.2	3353.3	711.0	-25.4	380.1	559.2
4	47668.0	3271.1	726.5	-28.5	382.4	561.7
YEAR	4956.8	3337.4	699.0	-23.5	379.4	558.0
% change from '91	2.2	2.0	3.7	10.3	2.3	1.0
1993:1	5041.1	3394.0	732.9	-32.1	383.1	563.2
2	5075.2	3416.7	743.5	-35.1	384.4	565.7
3	5099.8	3439.2	747.2	-37.8	384.0	567.2
4	5132.6	3454.6	758.8	-33.4	383.1	569.5
YEAR	5087.2	3426.1	745.6	-34.6	383.6	566.4
% change from '92	2.6	2.7	6.7	47.2	1.1	1.5
1994:1	5166.2	3475.7	769.5	-34.5	384.2	571.3
2	5199.4	3498.5	778.4	-36.7	386.1	573.1
3	5235.7	3521.3	790.1	-38.2	388.3	574.2
4	5273.9	3549.6	798.6	-39.7	389.7	575.7
YEAR	5218.8	3511.3	784.1	-37.3	387.1	573.6
% change from '93	2.6	2.5	5.2	7.7	.9	1.3

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+ 4.29%	Pers. Cons. Expend.
+ 2.73%	State Local Purch.
+ 2.65%	GDP
+ 2.27%	Federal Govt. Purch.
+ 2.11%	Producer Price Index
+ 2.06%	Consumer Price Index

THE PRICE OUTLOOK FOR THIS YEAR CALLS FOR 3.3% INCREASE OF PRICES AT THE CONSUMER PRICE LEVEL, AND 3.2% RISE AT THE PRODUCER PRICE LEVEL. In the next year prices are expected to accelerate to 3.5% for consumer prices, and 3.8% for producer prices.

The March .5% jump, the largest since October 1990, is considered to be just a temporary aberration from the trend. The majority of economists agree, and KEDI concurs, that it is not a harbinger for things to come.

Data indicate that the following factors will exercise a dampening impact on price increases:

- slow growth of the economy as a whole
- relatively low rates of capacities utilization in manufacturing, construction, mining, and services producing industries
- high unemployment
- moderate increases in wage contracts
- moderate upward moves in prices of crude materials

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1991*	136.5	121.9	117.2	119.7	115.5	116.4
1992:1	136.8	123.5	118.8	121.6	117.7	119.2
2	138.3	125.7	121.7	125.0	119.0	120.4
3	139.4	126.4	122.8	126.6	119.9	121.1
4	141.3	122.3	117.9	125.2	115.9	117.6
YEAR	139.0	124.5	120.3	124.6	118.1	119.6
% change from '91	1.8	2.1	2.6	4.1	2.3	2.7
1993:1	142.7	127.6	123.9	128.1	121.0	122.0
2	143.6	128.6	124.6	128.9	122.1	123.0
3	144.2	131.7	126.0	130.7	123.7	124.2
4	145.5	133.4	127.2	132.4	124.6	125.8
YEAR	144.0	130.3	125.4	130.0	122.8	123.8
% change from '92	3.6	4.7	4.3	4.3	4.0	3.5
1994:1	146.4	135.1	128.8	135.2	125.4	127.1
2	147.8	137.0	130.2	136.9	126.3	129.0
3	148.9	138.9	131.8	139.3	127.7	130.7
4	150.1	140.8	133.1	140.8	128.9	132.0
YEAR	148.3	137.9	131.0	138.0	127.1	129.7
% change from '93	3.0	5.9	4.4	6.2	3.4	4.8

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+14.03%	Net Exports
+ 6.01%	Pers. Cons. Expend.
+ 4.94%	GDP
+ 3.93%	Gross Private Dom. Invest.
+ 3.39%	State Local Purch.
+ .07%	Federal Govt. Purch.

ACCORDING TO FIRST ESTIMATES RECENTLY RELEASED BY THE U.S. DEPARTMENT OF COMMERCE, NOMINAL GDP ROSE IN 1992:1 BY 4.9%. The main factors contributing to this growth were consumer spending, and private housing construction. Consumers have repaid much of their installment debt and have taken advantage of lower interest rates to reduce interest payments on their mortgages.

This trend is expected to continue in quarters that follow, in which consumers will be encouraged to spend more by reduced witholding of income tax, earlier and larger tax refunds and rises in various government transfer programs including extensions of unemployment benefits..

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

	-----------Gross Domestic Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	5682.2	3914.7	727.0	-31.0	428.2	643.3
1992:1	5811.6	4026.4	712.4	-32.7	444.3	661.2
2	6009.3	4166.4	759.2	-35.4	449.2	669.9
3	6113.2	4245.2	771.3	-36.2	455.7	677.2
4	5917.9	4096.0	779.5	-37.1	432.0	647.5
YEAR	5963.0	4133.5	755.6	-35.4	445.3	663.9
% change from '91	4.9	5.6	3.9	14.0	4.0	3.2
1993:1	6245.9	4346.1	789.4	-40.2	463.6	687.1
2	6323.7	4403.6	795.7	-40.8	469.4	695.8
3	6425.7	4494.0	799.6	-47.3	475.0	704.5
4	6528.7	4573.8	805.7	-44.6	477.3	716.4
YEAR	6381.0	4454.4	797.6	-43.2	471.3	701.0
% change from '92	7.0	7.8	5.6	22.3	5.8	5.6
1994:1	6654.1	4697.9	792.3	-44.0	481.8	726.1
2	6769.6	4789.5	796.7	-43.5	487.6	739.3
3	6900.7	4905.1	799.4	-50.2	495.9	750.5
4	7019.6	4997.3	807.1	-47.1	502.3	759.9
YEAR	6836.0	4847.4	798.9	-46.2	491.9	744.0
% change from '93	7.1	8.8	.2	6.9	4.4	6.1

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+ 4.32%	Unemployment
+ 1.99%	Nonagriculture
+ 1.93%	Total Employed
+ 1.47%	Civilian Labor Force
+ 1.11%	Population
+ .07%	Agriculture

IN APRIL, THE JOBLESS RATE RETREATED FROM 7.3% TO 7.2%, AND THE NUMBER OF PERSONS ON COMPANY PAYROLLS INCREASED BY 126 THOUSAND--ANOTHER CLEAR SIGN THAT THE RECOVERY HAS SPREAD TO JOB MARKETS.

A .1% drop in unemployment rate is not statistically significant. However, the fact that it declined at all has to be considered as favorable.

In the 120 thousand gain, 30 thousand included new jobs in health care, 21 thousand in business services, 40 thousand in retail trade, 12 thousand in state and local governments, and 7 thousand in finance.

Forecast data point to continuing small declines in unemployment rate in months ahead. However, a return to the 5.5% or around is expected to take place not earlier than in 1993 and afterward.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

			-------Employment-------			
INDICATOR	Population	Civil. labor force	Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1991*	263.9	125.7	116.9	3.2	113.7	6.77
1992:1	266.0	127.1	117.8	3.2	114.6	7.29
2	266.4	127.4	118.3	3.2	115.1	7.16
3	267.0	127.5	118.7	3.2	115.5	6.92
4	267.9	128.2	119.4	3.2	116.2	6.88
YEAR	266.8	127.5	119.2	3.2	116.0	7.06
% change from '91	1.1	1.5	1.4	0.0	2.0	4.3
1993:1	269.8	129.0	120.4	3.2	117.2	6.64
2	270.3	130.0	121.4	3.2	118.2	6.58
3	271.2	130.9	122.8	3.2	119.6	6.21
4	272.1	131.6	123.5	3.2	120.3	6.12
YEAR	270.9	130.4	122.0	3.2	118.8	6.39
% change from '92	1.5	2.2	2.4	0.0	2.5	-9.6
1994:1	271.9	131.4	123.6	3.2	120.4	5.94
2	273.0	132.5	124.7	3.2	121.5	5.90
3	274.0	133.8	125.9	3.2	122.7	5.92
4	274.8	134.9	126.9	3.2	123.7	5.93
YEAR	273.4	133.2	125.3	3.2	122.1	5.92
% change from '93	1.0	2.1	2.3	0.0	2.7	-7.28

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+12.15%	1-family housing starts
+11.74%	Multiple family housing starts
+ 8.97%	Mobile home shipments
+ 7.96%	Permits issued
+ 7.59%	1-family housing existing
+ 5.40%	1-family housing new

IN MARCH, HOUSING STARTS JUMPED 6.4% MAINLY DUE TO THE INCREASE IN MULTI-FAMILY STARTS--THE FOURTH INCREASE IN A ROW. Forecast data indicate that the March increase in apartment construction was a temporary overstatement, and that in this and following months, apartment housing will return back to its meager levels of last year and the beginning of this year. Data on apartment houses show ligh levels of vacancies which will abate somewhat in 1993 and afterwards. KEDI forecast data call for a major resuscitation of markets for multi-family structures in 1994 and afterwards. Data for single-family unit starts call for a continuing recovery. The boom in housing starts is expected to occur in 1993 with more than 1.2 mil single-family units and approximately 400 thousand multi-families.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home shipments	Permits authorized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1991*	.846 P	.170 P	.163	.952 P	150.7	129.4
1992:1	.934 P	.145 P	.162 P	.983 P	150.4	134.3
2	.970	.161	.201	.998	154.0	137.7
3	.984	.201	.206	1.070	160.2	140.1
4	.970	.226	.172	1.030	165.3	142.2
YEAR	.965	.183	.185	1.020	157.5	138.6
% change from '91	14.0	7.8	13.7	7.2	4.5	7.1
1993:1	.964	.224	.190	.981	167.3	144.2
2	.998	.270	.204	.998	170.2	147.3
3	1.004	.286	.208	1.127	175.3	148.7
4	.989	.285	.201	.996	178.4	151.2
YEAR	.989	.266	.201	1.026	172.8	147.8
% change from '92	2.5	45.3	8.4	.5	9.7	6.7
1994:1	.960	.241	.198	.972	180.3	153.6
2	.981	.278	.207	.989	183.2	155.7
3	1.011	.298	.216	1.028	186.7	156.4
4	.990	.294	.211	.985	189.1	158.9
YEAR	.985	.278	.208	.994	184.8	156.2
% change from '93	-.3	4.3	3.6	-3.1	7.0	5.6

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+14.71%	Light Truck Sales
+11.89%	Domestic Car Sales
+ 8.61%	Shipments
+ 5.46%	Total Car Sales
0.00%	Dealer Inventory
- 9.62%	Imported Car Sales

THIS YEAR'S FORECAST CALLS FOR A TURN-AROUND IN THE AUTOMOBILE INDUSTRY.
Data for April sales of cars and light trucks underscore the positive trend. In late April, sales of domestic cars rose 10.8% and domestic light-trucks 31%. While this gain fell short of full-fledged recovery, it indicates a solid upward trend when compared to the performance of the auto industry in the first quarter of this year and during last year.

KEDI forecast data call for 6.8 mil. cars sold this year, compared to 6.0 mil. cars sold last year, and for 7.0 mil. cars expected to be sold in 1993.

Data on light-duty trucks are also more encouraging: compared to 3.4 mil sales in 1991, this year's sales are predicted to be 4.0 mil units, and 4.3 mil units in 1993.

TABLE 1.42
AUTOMOBILES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1991*	8.7	6.1	2.6	1.5	6.1	3.4
1992:1	8.7 P	6.0 P	2.2 P	1.3	6.3	3.6 P
2	9.1	6.8	2.3	1.4	6.5	3.9
3	9.6	7.2	2.4	1.5	6.8	4.2
4	9.8	7.3	2.5	1.5	6.9	3.9
YEAR	9.2	6.8	2.4	1.5	6.6	3.9
% change from '91	5.5	11.9	-9.6	0.0	8.6	14.7
1993:1	9.8	7.4	2.4	1.5	7.0	4.1
2	9.9	7.5	2.4	1.6	7.1	4.3
3	10.1	7.6	2.5	1.6	7.0	4.4
4	10.3	7.8	2.5	1.6	7.3	4.3
YEAR	10.0	7.6	2.5	1.6	7.1	4.3
% change from '92	9.3	5.0	4.3	6.7	7.2	9.6
1994:1	9.8	7.3	2.5	1.5	7.1	3.9
2	9.9	7.3	2.6	1.6	7.3	4.2
3	10.1	7.6	2.5	1.6	7.4	4.3
4	10.1	7.5	2.6	1.6	7.3	4.4
YEAR	10.0	7.4	2.5	1.6	7.3	4.2
% change from '93	-.5	-4.6	4.1	0.0	2.5	-1.8

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*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+29.35%	Federal Surplus Deficit
+21.38%	State Corp. Tax Accrued
+12.63%	State Surplus Deficit
+11.03%	Corporate Profit Tax
+ 7.60%	State Income Tax
+ 6.96%	Federal Income Tax

COMPARED TO DATA IN THE APRIL KES FORECAST, DATA FOR FEDERAL BUDGET DEFICIT ON THE NATIONAL INCOME AND PRODUCT BASIS HAS BEEN INCREASED SLIGHTLY. Data call for $230 bil. deficit this year, $219 bil. in 1993, and $196 bil. in 1994. It is anticipated that efforts to enact a "balanced budget" legislation will not be successful in the foreseeable future.

KEDI's long-term forecast up to the year 2000 does not include a balanced Federal budget, which continues showing significant discrepancies between expected receipts and expenditures.

Forecast data on state and local surpluses show a continuous, though modest upward trend in all forecast years.

TABLE 1.5C
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	FEDERAL			STATE AND LOCAL		
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	504.2 P	97.3 P	-218.5	223.2	22.3	38.7
1992:1	518.9	101.2	-229.7	226.0	25.4	40.2
2	525.8	105.4	-235.7	231.4	26.2	41.0
3	543.0	108.4	-238.9	239.1	27.2	41.7
4	560.1	114.9	-234.8	242.2	28.5	42.0
YEAR	537.0	107.5	-234.8	234.7	26.8	41.2
% change from '91	6.5	10.5	7.4	5.1	20.3	6.5
1993:1	578.4	119.1	-232.2	250.6	29.6	43.1
2	584.5	124.3	-219.5	260.2	30.7	44.7
3	600.1	125.2	-215.8	271.5	32.7	46.2
4	611.7	128.4	-199.4	277.3	33.2	47.3
YEAR	593.7	124.2	-216.7	264.9	31.6	45.3
% change from '92	10.6	15.6	-7.7	12.9	17.6	9.9
1994:1	624.8	131.6	-202.3	281.4	34.1	48.4
2	639.8	133.8	-195.2	287.6	35.0	49.8
3	655.2	137.2	-190.3	295.3	36.4	51.2
4	673.4	142.6	-186.1	300.2	38.0	53.2
YEAR	648.3	136.3	-193.5	291.1	35.9	50.6
% change from '93	9.2	9.7	-10.7	9.9	13.7	11.7

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+10.42%	Corporate After tax profit
+ 8.08%	Comp. of Employees
+ 5.62%	Personal Income
+ 4.96%	Personal Disp. Income
+ 3.88%	Average weekly earnings
+ 2.31%	Persona Savings

DATA FOR THE REST OF THIS YEAR POINT TO A SLOW GROWTH IN MOST OF COMPONENTS OF PERSONAL INCOMES. It's major component--compensation of employees is expected to move up slowly: in the first half of the year it will increase by 2.1% compared to the level of the second half of 1991. In the second half of this year, it is expected to grow by 2.7% compared to the first half.

Forecast data for corporate profits call for significant gains this year and in the next year measured by after-tax profits, increases of 10.2% and additional 9.3% are expected to take place in respective years 1992 and 1993. The outlook calls for the following industries with highest increases in earnings this year compared to 1991: technology, consumer cyclical products, tobacco, motor vehicles and parts, gas, single-family segment of construction, steel, consumer services, leisure industries, factory equipment, home furnishings, and apparel. Industries expected to perform less successfully in 1992 are: food processing, oil and related industries, domestic communications, defense, insurance, nonferrous metals, and hospitals.

TABLE 1.60
INCOME
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1991*	4843.7	4218.5	3387.7	188.6	222.1	459.1
1992:1	4990.9	4246.0	3614.7	194.8	219.6	468.4
2	5148.1	4390.9	3679.3	206.4	224.5	474.0
3	5256.2	4474.1	3775.6	214.4	228.9	477.4
4	5124.8	4276.8	3795.1	215.2	226.5	484.9
YEAR	5130.0	4346.9	3716.2	207.7	224.9	476.2
% change from '91	5.9	3.0	9.7	10.1	1.2	3.7
1993:1	5555.9	4726.9	3884.2	219.1	219.5	486.9
2	5641.1	4796.4	3971.1	221.6	229.6	491.3
3	5767.5	4895.9	4033.5	224.8	236.2	496.5
4	5873.5	4984.5	4127.4	230.3	243.3	499.8
YEAR	5709.5	4850.9	4004.0	223.9	232.2	493.6
% change from '92	11.3	11.6	7.7	7.8	3.2	3.7
1994:1	6021.9	5115.7	4192.1	234.5	245.7	503.1
2	6143.7	5216.3	4283.7	236.7	250.3	504.7
3	6288.5	5338.0	4385.6	240.5	252.6	507.2
4	6413.4	5439.8	4496.7	242.3	257.1	110.8
YEAR	6216.9	5277.4	4339.5	238.5	251.4	406.4
% change from '93	8.9	8.8	8.4	6.5	8.3	-17.7

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+ 9.63%	Currency and demand deposits
+ 6.17%	Mortgages at all holders
+ 3.07%	Time Deposits
+ 2.20%	Commercial install loans
+ 1.73%	Commercial install credit
+ .42%	Large denom. time deposits

IT IS ANTICIPATED THAT THE FEDERAL RESERVE WILL ADOPT THE POLICY OF SLOWING DOWN THE FAST GROWTH OF MONEY SUPPLY M1 EXPERIENCED IN THE LAST MONTHS OF 1991 AND FIRST MONTHS OF THIS YEAR.
Forecast data indicate that the growth of M1 will return to more normal levels toward the end of this year, and will be growing moderately in 1993.
Forecast of growth of major financial markets in the rest of this year and in 1993 are ranking as the fastest growing markets for Federal Govt. securities and corporate bonds--the former due to high Federal deficits which will not be declining significantly in the foreseeable future, the latter due to the expected growth of business capital expenses.
Data on consumer credit indicate that starting in the second half of this year, consumers will be increasing their indebtedness and continue borrowing more than they would be paying back. Largest increases are expected for automobile and housing-improvement loans. Forecast data for markets for commercial and industrial loans for this and the next year show only marginal increases in firm's indebtedness.
Markets for CDs are expected to remain weak in both forecast years. It is expected that interest rates will not be increasing fast enough to become a stimulus for investors.
Fairly good expansion is predicted for single-family mortgages, since this year and the next the recovery in this segment will continue.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDI-CATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	895.4	3497.5	729.4	582.3	529.8	4048.8
1992:1	917.3	3451.2	728.4	584.0	527.1	4064.4
2	930.2	3464.3	760.2	586.1	527.2	4157.7
3	944.1	3491.5	736.8	590.2	530.3	4221.2
4	957.3	3568.1	740.7	594.7	531.6	4236.5
YEAR	937.2	3493.8	740.7	594.7	531.6	4236.5
% change from '91	4.7	-.1	1.5	5.3	.3	4.6
1993:1	972.2	3584.3	745.2	596.3	537.2	4275.7
2	981.5	3612.2	749.3	601.2	539.5	4320.4
3	986.3	3688.1	758.1	608.7	542.5	4383.4
4	993.3	3761.2	772.2	612.1	546.9	4421.5
YEAR	983.3	3661.4	772.2	612.1	546.9	4421.5
% change from '92	4.9	4.8	4.3	2.9	2.9	4.4
1994:1	1004.7	3824.1	787.3	615.2	550.7	4463.2
2	1014.3	3893.2	803.4	617.4	554.9	4507.8
3	1020.5	3986.7	822.1	619.7	560.3	4571.4
4	1033.7	4095.2	838.4	621.3	565.6	4650.2
YEAR	1018.3	3949.8	838.4	621.3	565.6	4650.2
% change from '93	3.6	7.9	8.6	1.5	3.4	5.2

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*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

FORECAST OF LOW INTEREST RATES LASTING THIS AND THE FOLLOWING QUARTER IS MAINTAINED. However, some small and temporary downward cuts, though unlikely, are still possible.

Forecast data show that in the fourth quarter of this year and afterward, the interest rates will start going up, though in small intervals. The upward trend is forecasted to continue throughout the next year and in 1994. Forecast data point to the following factors expected to push the interest rates upwards in 1993:

- this year the U.S. economy is expected to grow at a solid rate which should not necessitate additional stimulus of low interest rates
- interest rates in industrialized countries will continue to stay relatively high with regard to U.S. rates
- prices in the U.S. are expected to resume their upward, though slow, trend which will necessitate interest rate increases.

1992
FORECAST
DATA

Percent Change
from
April 1992
Forecast

+ 9.22%	S & P's 500 avg.
- 2.15%	Aaa corp bonds
- 3.76%	30 yr. govt. bond yield
- 4.94%	Conv. mortg. rate
-20.97%	Prime rate
-26.83%	Treasury bills 3 mo. yield

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES

Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1991*	5.42	8.31	9.02	8.77	8.14	376.20
1992:1	3.79	6.45	8.62	8.24	7.74	414.74
2	3.81	6.48	8.45	8.34	7.82	416.12
3	3.94	6.54	8.51	8.46	7.78	417.48
4	4.06	6.80	8.87	8.62	7.88	419.47
YEAR	3.90	6.57	8.61	8.41	7.80	416.95
% change from '91	-28.0	-21.0	-4.5	-4.0	-4.1	10.8
1993:1	4.32	7.18	8.91	8.77	7.94	417.54
2	4.74	7.24	9.13	9.14	8.12	411.37
3	5.09	7.43	9.43	9.19	8.08	424.84
4	5.38	7.56	9.56	9.26	8.04	430.26
YEAR	4.88	7.35	9.26	9.09	8.04	421.00
% change from '92	25.2	12.0	7.5	8.0	3.1	1.0
1994:1	5.49	7.50	9.67	9.31	8.11	432.17
2	5.58	7.59	9.60	9.45	8.14	430.12
3	5.72	7.70	9.69	9.57	8.19	428.16
4	5.84	7.86	9.87	9.74	8.27	439.41
YEAR	5.66	7.66	9.71	9.52	8.18	432.47
% change from '93	15.9	4.2	4.9	4.7	1.6	2.7

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue Aa Corporate Bonds rate has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from monthly figures published in Federal Reserve Bulletin (Board of Governors of the Federal Reserve System, Washington, D.C.), March and April 1992 issues.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Aaa Corporate Bonds rate (%)
Actual figure: 8.7

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	8.9	+ 2.3
Manufacturers Hanover Trust, NY	12/90	9.8	+12.6
Valley National Bank, AR	11/90	9.7	+11.5
Metropolitan Life, NY	12/90	8.7	.0
K.E.D.I., Inc, OH	12/90	9.2	+ 5.7
Fidelity Bank, PA	12/90	8.9	+ 2.3
Society Bank, OH	12/90	9.5	+ 9.1
Fleet National Bank, RI	12/90	8.0	- 8.0
John Hancock, MA	12/90	8.8	+ 1.1
Corstate Financial Corp., PA	12/90	8.8	+ 1.1
National City Bank, OH	12/90	9.2	+ 5.7

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross domestic product, 1987 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross domestic product, 1987 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross domestic product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

June 1992

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SOURCES:

The U. S. Department of Commerce first quarter 1992 second estimates of Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, May 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Recent data confirm special features of current recovery, distinct from past recoveries.

Prices

Consumer prices rose 3.2% in the 12 months ending in April 1992. CPI rose by a modest .2%, reversing previous large increases.

Employment & Labor

KEDI forecast of continuing recovery with high unemployment is maintained.

Housing

In April, housing starts fell to a seas. adj. rate of 1.115 mil. units from a revised 1.344 mil. units in March.

Automobiles

In May, the U.S. auto industry gathered steam. Cars sold in the last week of May at a seas. adj. rate of 6.5 mil. units.

Budgets

In this forecast, data for Federal budget deficits has been increased when compared to the May forecast.

Income

In the first quarter of this year, corporate after-tax profits surged 8%, the most in four years.

Money & Credit

Forecast calls for continuous strength in markets for Federal government securities, home mortgages, and municipal securities.

Interest Rates, Yields & Securities Prices

KEDI maintains its assumption of no further significant decreases in interest rates will take place this and the following year.

0.02 ASSUMPTIONS

		Update
1.	In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2.	Monetary and credit policies are expected to tighten in the last quarter of 1992 [illegible] afterward.	December 1991
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the June 1992 KEDI forecast.	
*	Growth will accelerate in the second half of 1992.	January 1992
*	The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	Toward the end of 1992 and in 1993, interest rates will be increasing.	June 1992
*	Federal budget deficits will keep declining in 1993 and the following years.	July 1991
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1992, 1993 and 1994 are on pages indicated below.

Indicator	Unit	1991	1995	1996	1997
Gross domestic	bil. 87$	4884.9	5370.1	5525.9	5697.2
product, p. 5	% change	-.7	2.9	2.9	3.1
Index of indust.	1987=100	107.2	121.5	125.2	129.3
prod., p. 5	% change	-1.8	2.6	3.1	3.2
Capacity	%	78.2	84.4	84.7	84.5
utiliz., p. 5	% change	-5.0	.2	.3	-.2
Unemployment	%	6.9	6.0	84.0	1.3
rate, p. 5	% change	6.8	.1	-.3	-.4
Private housing	mil.units	1.6	1.3	1.3	1.3
starts, p. 5	% change	-15.0	4.1	-.2	.4
Car sales,	mil.units	8.7	10.3	10.6	11.2
p. 5	% change	-8.8	3.2	2.8	6.0
Implicit GDP	1987=100	117.2	135.2	140.2	144.9
price def.,p.11	% change	3.8	3.8	3.7	3.3
Consumer Price	82-84=100	135.6	155.0	160.6	166.7
Index, p. 11	% change	3.7	3.7	3.6	3.8
Prod.Price Index	1982=100	121.9	143.5	149.2	155.0
(fin.goods),p.11	% change	1.8	4.9	4.0	3.9
Federal Deficit	bil. $	-181.5	-174.4	-152.5	-134.6
p. 21	% change	9.3	-10.4	-12.6	-11.7
Personal Income	bil. $	4843.7	6666.4	7173.0	7761.2
p. 23	% change	3.8	7.8	7.6	8.2
Prime Rate	%	8.3	7.4	7.9	8.5
p. 27	% change	-17.0	-3.6	7.0	8.0
Mortgage Rate	%	9.0	10.2	10.4	10.3
p. 27	% change	-7.3	5.0	2.7	-1.8
Currency+demand	bil. $	895.4	1076.4	1113.0	1157.5
deposits , p. 25	% change	13.6	5.0	3.4	4.0
Commercial+ind.	bil. $	582.3	598.0	615.4	629.5
loans, p. 25	% change	3.2	2.7	2.9	2.3
Raw steel	mil.sh.tons	87.6	87.0	88.0	89.9
production	% change	-3.4	-.7	1.2	2.1
Electric power	mil.kw-hr	3192	3294.1	3416.0	3528.8
production	% change	2.9	3.2	3.7	3.3
Bituminous coal	mil.sh.tons	941	948.5	951.4	961.8
production	% change	.3	.8	.3	1.1
Crude oil	avg. daily bbl.	2902	2899.1	2873.0	2896.0
output	% change	-.5	-.1	-.9	.8
Retail sales	bil. $	1834.5	2524.5	2703.7	2901.1
p. 7	% change	1.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

RECENT DATA CONFIRM SPECIAL FEATURES OF CURRENT RECOVERY, DISTINCT FROM PAST RECOVERIES: the growth of the economy is expected to continue at a moderate pace while unemployment will continue to be relatively high and will be declining only marginally. Data indicating the growth of the economy will be moderate in coming months:

Data for April: small gains in orders for durables, new factory orders, industrial production, sales of new and existing homes, housing starts, small gains in indexes of leading indicators and consumer confidence.

Data for May: increases in car sales, indexes of leading indicators, consumer confidence and purchasing managers, industrial production, capacity utilization, consumer spending, and temporary decline in housing starts. Data indicating relatively high unemployment will persist.

The May increase in unemployment rate to 7.5% from April's 7.2%; stable number of unemployment claims; layoffs and expected layoffs in defense and defense-related industries; persistent problems in multi-family housing, banking, insurance, airline transportation, domestic communications, segments of printing and publishing; fabricated metal products, and chemical industries.

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ 3.31%	Private housing starts
+ .95%	Unemployment
+ .11%	Index Indus. Prod.
0.00%	GDP
- .03%	Capacity Util.

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GDP	Index of ind. prod.	Unemployment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$87 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1991*	4848.3P	107.1	6.76	78.2	1.016P	8.7P
1992:1	4896.9P	105.6	7.29	78.6	1.072P	8.7
2	4937.2	108.4	7.28	78.9	1.115	9.0
3	4978.2	110.5	7.12	80.2	1.174	9.3
4	5015.1	112.8	6.98	81.8	1.185	9.6
YEAR	4956.9	109.3	7.17	79.9	1.136	9.2
% change from '91	2.2	2.1	6.0	2.1	11.9	5.2
1993:1	5040.1	113.5	6.74	82.8	1.181	9.8
2	5073.2	114.0	6.68	83.4	1.250	9.9
3	5094.2	115.0	6.33	84.0	1.270	10.0
4	5130.1	115.8	6.22	84.2	1.254	10.1
YEAR	5084.4	114.6	6.49	83.6	1.239	9.9
% change from '92	2.6	4.8	-9.4	4.7	9.0	8.7
1994:1	5166.1	117.0	6.04	84.3	1.201	9.8
2	5199.4	118.1	5.94	84.5	1.259	9.9
3	5235.7	118.8	5.92	83.5	1.309	10.1
4	5273.9	119.7	5.93	84.7	1.284	10.1
YEAR	5218.8	118.4	5.96	84.2	1.263	10.0
% change from '93	2.6	3.3	-8.2	.8	2.0	.3

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

IN APRIL CONSUMERS BOOSTED RETAIL SALES BY .9% BUYING MORE OF EVERYTHING FROM BUILDING MATERIALS TO CLOTHES AND GASOLINE.
Forecast data indicate that this favorable trend will continue throughout the rest of this year and into 1993. Main increases are expected to be in retail sales of all kinds of durables, notably motor vehicles and parts, building materials, hardware and household durables.

Forecast data point to a growing optimism of consumers: personal consumer spending is expected to increase this year over the last year by 2.1% in real terms, and by 2.7% in 1993 over this year's spending. Corresponding data in current terms are: 5.6% this year over last year, and 7.8% in 1993 over this year.

In particular, forecast data for this year over 1991 show the following increases in retail sales, in current $:

*	motor vehicles and parts	+7.2%
*	building materials	+8.3%
*	household durables	+7.9%
*	food and kindred products	+4.6%
*	textile and apparel	+3.9%
*	petroleum and coal products	+3.1%

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ 3.07%	Pers. Con. Expend. Durable
+ .82%	Retail Sales Durable
- .03%	Pers. Con. Expend. Nondurable
- .36%	Retail Sales Total
- .85%	Retail Sales Nondurable
- 1.56%	Pers. Cons. Expend. Services

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1991*	447.3	1256.8	2207.2	1834.5	681.2	1161.4
1992:1	468.2P	1273.3P	2281.1P	2019.3P	709.9P	1309.7P
2	478.2	1294.2	2053.1	2039.6	729.7	1309.9
3	489.5	1325.1	2437.1	2047.2	749.3	1163.8
4	509.3	1347.7	2487.0	2089.1	765.4	1323.7
YEAR	486.3	1310.1	2314.6	2048.8	738.6	1276.7
% change from '91	8.7	4.2	4.9	11.7	8.4	9.9
1993:1	523.0	1372.7	2439.6	2127.2	776.2	1351.0
2	529.3	1384.5	2482.4	2170.3	800.8	1186.5
3	539.4	1391.2	2551.9	2211.7	814.2	1397.5
4	555.6	1398.4	2605.7	2287.0	820.1	1466.9
YEAR	536.8	1386.7	2519.9	2199.1	802.8	1350.5
% change from '92	10.4	5.8	8.9	7.3	8.7	5.8
1994:1	568.4	1412.6	2661.5	2303.2	842.2	1461.0
2	580.1	1428.5	2704.5	2327.7	852.7	1475.0
3	593.0	1447.4	2771.4	2354.6	866.9	1487.7
4	610.3	1465.2	2874.5	2382.8	878.2	1504.6
YEAR	588.0	1438.4	2753.0	2342.1	860.0	1482.1
% change from '93	9.5	3.7	9.2	6.5	7.1	9.7

* Historical data. R = Revised. P = Preliminary.

1:13 REAL GDP

See Table 1.13
Page 9

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+18.94%	Federal Govt. Purch.
+10.32%	Net Exports
+ .76%	Gross Private Dom. Invest.
+ .43%	State Local Purch.
0.00%	GDP
- 2.31%	Pers. Cons. Expend.

U.S. DEPT. OF COMMERCE, IN ITS SECOND REVISION OF GDP AND COMPONENTS DATA FOR 1992:1, REVISED UPWARD FROM ITS FIRST ESTIMATE. Instead of previously announced 2% growth rate, the new estimate calls for 2.4% rate. The main factor causing the change in data was inventories. Instead of previously reported decline of $26.1 bil., new estimate shows a decline of $18.4 bil. only. The second largest adjustment pertained to the sales component: instead of previously reported 4.8% increase in consumer spending, the new estimate calls for a 4.6% rise only.

In general, revisions were relatively small, and do not affect the overall outlook for the economy.

TABLE 1.13
REAL GDP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross Domestic Product: Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1991*	4848.3	3272.2	674.0	-21.3	370.7	552.7
1992:1	4896.9P	3314.2P	674.7P	-22.3P	372.3P	558.0P
2	4937.2	3328.0	699.3	-24.3	374.5	559.7
3	4978.2	3352.9	713.4	-27.5	378.1	561.3
4	5015.1	3372.2	729.8	-29.6	380.2	562.5
YEAR	4956.9	3341.8	704.3	-25.9	376.3	560.4
% change from '91	2.2	2.1	4.5	21.7	1.5	1.4
1993:1	5040.1	3392.1	736.7	-33.7	381.1	563.9
2	5073.2	3413.0	749.5	-37.2	382.2	565.7
3	5094.2	3425.2	757.6	-39.4	382.8	568.0
4	5130.1	3451.0	766.8	-40.7	383.1	569.9
YEAR	5084.4	3420.3	752.6	-37.8	382.3	566.9
% change from '92	2.6	2.3	6.9	45.6	1.6	1.2
1994:1	5166.1	3468.7	779.5	-38.2	384.0	572.1
2	5199.4	3491.6	785.3	-36.4	385.1	573.8
3	5235.7	3517.2	794.2	-38.2	388.3	574.2
4	5273.9	3549.3	798.9	-39.7	389.7	575.7
YEAR	5218.8	3506.7	789.5	-38.1	386.6	574.0
% change from '93	2.6	2.5	4.9	1.0	1.2	1.2

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ 1.79%	Pers. Cons. Expend.
+ 1.04%	GDP
+ .79%	Consumer Price Index
+ .21%	Federal Govt. Purch.
+ .08%	State Local Purch.
- .16%	Producer Price Index

CONSUMER PRICES ROSE 3.2% IN THE 12 MONTHS ENDING IN APRIL 1992. In April, CPI rose by a modest .2%, reversing a string of larger increases in previous months. Producer prices rose a seas. adj. .2% in April matching the March increase.

KEDI's June forecast for consumer prices and producer prices for the balance of this year and for 1993 and beyond remain essentially unchanged when compared with forecasts presented in previous months.

Inflation is expected to be moderate and within tolerable limits, due to the following factors:

* stable or just small increases of prices in international markets for raw materials and energy
* moderate pace of the U.S. recovery which will not generate excess demands for materials and energy
* persistent relatively high uneployment
* moderate increases in new wage and benefit contracts

TABLE 1.21
PRICES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	*---Indexes--*		*-------Price deflators--------*			
	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1991*	136.5	121.9	117.2	119.7	115.5	116.4
1992:1	137.9	123.1	118.8	121.4	118.5	117.4
2	139.5	123.5	121.7	126.3	119.1	119.0
3	140.4	125.0	122.8	126.8	119.9	120.8
4	142.6	125.6	122.9	132.8	115.9	121.6
YEAR	140.1	124.3	121.5	126.8	118.3	119.7
% change from '91	2.6	2.0	3.7	6.0	2.5	2.8
1993:1	143.7	127.0	123.7	127.8	121.0	122.1
2	144.6	128.1	124.5	128.8	122.0	123.0
3	145.8	131.0	126.0	130.9	123.2	124.2
4	146.5	133.4	127.0	132.1	124.0	125.8
YEAR	145.2	129.9	125.3	129.9	122.5	123.8
% change from '92	3.6	4.5	3.1	2.4	3.5	3.4
1994:1	147.2	134.7	128.1	133.8	125.0	127.1
2	148.8	135.8	129.2	135.0	126.1	129.0
3	150.1	137.4	130.8	136.8	127.7	130.7
4	151.9	139.1	133.0	139.5	128.9	132.0
YEAR	149.5	136.8	130.3	136.3	126.9	129.7
% change from '93	3.0	5.3	4.0	4.9	3.6	4.8

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+19.57%	Federal Govt. Purch.
+ 1.05%	GDP
- .34%	State Local Purch.
- .48%	Gross Private Dom. Invest.
- .54%	Pers. Cons. Expend.
-11.44%	Net Exports

THE SECOND REVISION OF 1992:1 GDP AND COMPONENTS RECENTLY RELEASED BY U. S. DEPT. OF COMMERCE SHOWS AND INSIGNIFICANT CHANGE OF $4.9 BIL. IN THE TOTAL GDP.

In essence, changes in estimates of components have compensated each other: decrease in negative change in inventories and negative net exports have been matched by changes in estimates of Federal and State and local purchases of goods and services.

New estimate of negative net exports--$27.5 bil. seas. adj. is more favorable than the previous one of negative $32.7 bil. resulting from the upward revision of export prices and downward revision of import prices. Price forecast for the rest of this year and for 1993 indicates that no significant deterioration in the relationship of export and import prices will take place.

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

	*-----Gross Domestic Product-----					*
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	5682.2	3914.7	727.0	-31.0	428.2	643.3
1992:1	5817.5P	4022.7P	726.0P	-27.5P	441.2P	655.1P
2	6008.6	4182.8	749.1	-35.4	446.0	666.0
3	6113.2	4251.7	760.2	-30.1	453.3	678.1
4	6163.6	4344.0	772.5	-32.4	432.0	647.5
YEAR	6025.7	4200.3	752.0	-31.4	443.1	661.7
% change from '91	6.0	7.3	3.4	1.1	3.5	2.8
1993:1	6234.6	4335.3	784.3	-34.6	461.1	688.5
2	6316.1	4396.2	795.0	-37.2	466.3	695.8
3	6418.7	4482.5	799.2	-40.1	471.6	705.5
4	6515.2	4559.7	805.1	-41.6	475.0	716.9
YEAR	6371.2	4443.4	795.9	-38.4	468.5	701.7
% change from '92	5.7	5.8	5.8	22.4	5.7	6.0
1994:1	6617.8	4642.5	808.1	-40.0	480.0	727.1
2	6717.6	4713.1	818.4	-39.7	485.6	740.2
3	6848.3	4811.8	829.4	-39.2	495.9	750.5
4	7014.3	4950.0	837.1	-35.1	502.3	759.9
YEAR	6799.5	4779.4	823.2	-38.5	490.9	744.4
% change from '93	6.7	7.6	3.4	.3	4.8	6.1

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ 1.52%	Umemployment
+ .02%	Civilian Labor Force
+ .01%	Population
0.00%	Agriculture
- .14%	Total Employed
- .15%	Nonagriculture

KEDI FORECAST OF CONTINUING RECOVERY WITH HIGH UNEMPLOYMENT RATE IS MAINTAINED.

Forecast data show that unemployment rate will be declining in small margins only for the rest of this year and beyond. The reasons have been spelled out in many previous issues of this survey:

* declining defense spending which results in lower defense orders with negative effects on employment in defense and defense-related industries,

* many industries are currently undergoing structural changes which result in higher productivity but require relatively less-employed persons: primary metals, fabricated metal products, office machines, some segments of chemical and products industries, banking and insurance, and some other segments.

Forecast data indicate that May's 7.5% unemployment rate is a peak, which will be followed by small declines in the following months.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1991*	263.9	125.7	116.9	3.2	113.7	6.77
1992:1	266.0	127.1	117.8	3.2	114.6	7.29
2	266.4	127.4	118.1	3.2	114.9	7.28
3	267.0	127.5	118.4	3.2	115.2	7.12
4	267.9	128.2	119.3	3.2	116.1	6.98
YEAR	266.8	127.5	119.0	3.2	115.8	7.17
% change from '91	1.1	1.5	1.4	0.0	1.9	5.9
1993:1	269.8	129.0	120.3	3.2	117.1	6.74
2	270.3	130.0	121.3	3.2	118.1	6.68
3	271.2	130.9	122.6	3.2	119.4	6.33
4	272.1	131.6	123.4	3.2	120.2	6.22
YEAR	270.9	130.4	121.9	3.2	118.7	6.49
% change from '92	1.5	2.2	2.4	0.0	2.5	-9.4
1994:1	271.9	131.4	123.5	3.2	120.3	6.04
2	273.0	132.5	124.6	3.2	121.4	5.94
3	274.0	133.8	125.9	3.2	122.7	5.92
4	274.8	134.9	126.9	3.2	123.7	5.93
YEAR	273.4	133.2	125.2	3.2	122.0	5.96
% change from '93	1.0	2.1	2.3	0.0	2.8	-8.24

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ .03%	1-family housing new
+ .02%	1-family housing existing
- .81%	Mobile home shipments
- .93%	Single family housing starts
- 1.41%	Multiple family housing starts
- 1.67%	Permits Issued

IN APRIL, HOUSING STARTS FELL TO A SEASONALLY ADJUSTED RATE OF 1.115 MIL. UNITS FROM A REVISED 1.344 MIL. UNITS IN MARCH.
The plunge followed three months of impressive gains. Despite this decrease, housing starts in the first months of this year were 14% higher above the first four months in 1991.

KEDI views the April data as a temporary aberration, and certainly not a signal pointing to a housing recession.

Forecast data indicate that housing will continue expanding this year and in 1993. Compared to 1 mil. units of private housing starts last year, forecast for this year calls for almost 1.2 mil., and 1.3 mil. units in 1993. Significant increases in multi-family housing are expected in 1994.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1991*	.846P	.170P	.163	.952P	150.7	129.4
1992:1	.930P	.147P	.161P	.982P	150.4	134.3
2	.955	.160	.201	.990	154.1	137.9
3	.974	.200	.202	1.010	160.2	140.1
4	.965	.220	.170	1.030	165.5	142.2
YEAR	.956	.180	.183	1.003	157.6	138.6
% change from '91	13.0	6.1	12.6	5.4	4.5	7.1
1993:1	.960	.221	.190	.980	167.3	144.2
2	.998	.252	.204	.994	170.2	147.3
3	1.004	.266	.208	1.100	175.3	148.7
4	.989	.265	.201	.982	178.4	151.2
YEAR	.988	.251	.201	1.014	172.8	147.8
% change from '92	3.3	39.1	9.4	1.1	9.7	6.7
1994:1	.960	.241	.198	.972	180.3	153.6
2	.981	.278	.207	.989	183.2	155.7
3	1.011	.298	.216	1.048	186.7	156.4
4	.990	.294	.211	.995	189.1	158.9
YEAR	.985	.278	.208	1.001	184.8	156.2
% change from '93	-.2	10.7	3.6	-1.3	7.0	5.6

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*Historical data. R = Revised. P = Preliminary.

**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ .74%	Domestic Car Sales
0.00%	Dealer Inventory
- .38%	Shipments
- .54%	Total Car Sales
- 1.92%	Light Truck Sales
- 4.17%	Imported Car Sales

IN MAY, THE U. S. AUTO INDUSTRY GATHERED STEAM. IN THE LAST WEEK OF MAY, DOMESTICALLY-BUILT CARS SOLD AT 6.5 MIL. SEAS. ADJ. RATE. The rate for the month of May was 6.3 mil. units, the best in the past 18 months.

Forecast data show that the turnaround in the auto industry is expected to continue. For the rest of the year and in 1993 the largest increases are forecasted for light trucks--vans, pickups, jeeps, and sport-utility vehicles. Forecast data call for a 10.3% increase in number of units sold for vehicles in this category this year over the last year, and an additional 4.2% rise in 1993 over this year.

Forecast data for passenger car sales is also optimistic. They point to 5.1% increase in number of units sold this year over the last year, and an additional rise of 7.3% in 1993 over 1992.

The expected continuation of a strong market for light-duty trucks and other vehicles of this category supports KEDI's forecast of 1992 as a year when the U.S. auto industry will break even--this category of vehicles brings the biggest profits when compared to other categories of motor vehicles.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1991*	8.7	6.1	2.6	1.5	6.1	3.4
1992:1	8.7P	6.0P	2.2P	1.3	6.3	3.6P
2	9.0	6.7	2.3	1.4	6.5	3.8
3	9.3	7.0	2.3	1.5	6.7	4.0
4	9.6	7.2	2.4	1.5	6.8	3.9
YEAR	9.2	6.8	2.3	1.5	6.6	3.8
% change from '91	5.2	12.3	-11.5	0.0	7.8	12.5
1993:1	9.8	7.4	2.4	1.5	6.9	3.9
2	9.9	7.5	2.4	1.6	7.1	3.9
3	10.0	7.6	2.4	1.6	7.0	4.2
4	10.1	7.8	2.3	1.6	7.1	4.3
YEAR	9.9	7.6	2.4	1.6	7.0	4.1
% change from '92	8.7	5.5	3.3	6.7	6.8	6.5
1994:1	9.8	7.4	2.4	1.5	7.0	3.9
2	9.9	7.4	2.5	1.6	7.2	4.0
3	10.1	7.6	2.5	1.6	7.3	4.1
4	10.1	7.7	2.4	1.6	7.3	4.3
YEAR	10.0	7.5	2.5	1.6	7.2	4.1
% change from '93	.3	-2.9	3.2	0.0	2.5	0.0

*Historical data. R = Revised. P = Preliminary.

**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

IN THIS FORECAST, DATA FOR FEDERAL BUDGET DEFICITS HAS BEEN INCREASED WHEN COMPARED TO THE MAY FORECAST.
The increase amounts to approximately $6 bil. this year and $4 bil. in 1993. The trend in Federal deficit figures remains unchanged however: it is expected Federal budget deficits will start declining the first quarter of 1993 in small intervals. Compared to this calendar year"s $236 bil. deficit, the expected deficits in calendar year 1993 and 1994 are $207 bil. and $195 bil., respectively.

KEDI's June long-term forecast data show that Federal deficits will be persistent, though declining. A balanced Federal budget, in terms of National Income and Product Accounts is not expected in the foreseeable future.

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ .71%	Federal Surplus Deficit
+ .61%	State Income Tax
+ .28%	Corporate Profit Tax
+ 1.5%	Federal Income Tax
- .06%	State Surplus Deficit
- 1.03%	State Corp. Tax Accrued

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL		----------*	*---STATE AND LOCAL		----*
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	504.1	97.1	-218.2	223.4	22.3	38.7
1992:1	518.9P	101.4P	-229.2P	226.0P	25.4P	40.2P
2	525.7	105.8	-235.8	233.8	26.0	40.9
3	544.4	109.1	-239.6	239.1	26.9	41.6
4	562.3	114.9	-241.3	245.6	27.8	42.0
YEAR	537.8	107.8	-236.5	236.1	26.5	41.2
% change from '91	6.7	11.0	8.4	5.7	18.9	6.4
1993:1	579.7	119.4	-237.4	248.6	28.6	43.0
2	584.5	124.3	-221.2	257.2	29.5	44.2
3	602.6	125.2	-216.7	264.3	31.7	46.0
4	611.7	128.4	-203.1	270.1	32.6	47.1
YEAR	594.6	124.3	-219.6	260.1	30.6	45.1
% change from '92	10.6	15.3	-7.1	10.1	15.4	9.5
1994:1	626.8	131.6	-202.7	280.2	33.1	47.5
2	641.3	133.8	-198.4	287.6	34.3	418.8
3	658.2	137.2	-191.5	295.3	35.4	50.3
4	676.4	142.6	-186.1	300.2	37.0	52.0
YEAR	650.7	136.3	-194.7	290.8	35.0	142.2
% change from '93	9.4	9.6	-11.4	11.8	14.2	215.4

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

- .01%	Average weekly earnings
- .17%	Corporate after tax profit
- .27%	Comp. of employees
- .49%	Personal Income
- 2.05%	Personal Disp. Income
- 2.27%	Personal Savings

IN THE FIRST QUARTER OF THIS YEAR, CORPORATE AFTER-TAX PROFITS SURGED 8%, THE MOST IN FOUR YEARS.

U.S. Department of Commerce data indicate that such robust increase has been due to rising productivity, extensive cost-cutting, declining interest rates and a slowdown in wage increases.

KEDI's ranking of industries expected to show the largest and the smallest increases in earnings this year is the following:

Largest gains:

Motor vehicles and parts, consumer services, leisure industries, technology, consumer cyclical products, tobacco, construction of single-family homes, office machines, plastics, and steel mill products.

Smallest gains:

Domestic communications, airline transportation, oil and related industries, defense, insurance, rubber, printing and publiching, and food processing.

Forecast data on personal income and components point to regular, moderate increases to continue this and the following years.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1991*	4843.7	4218.5	3387.7	188.6	222.1	459.1
1992:1	4980.2	4235.3	3614.7	194.2	212.6	468.4
2	5162.5	4403.0	3669.0	204.5	220.2	474.1
3	5257.1	4473.6	3755.1	214.0	221.9	477.4
4	5376.4	4568.5	3785.2	216.7	224.5	484.8
YEAR	5194.1	4420.1	3706.0	207.3	219.8	476.2
% change from '91	7.2	4.8	9.4	9.9	-1.0	3.7
1993:1	5582.1	4753.8	3854.3	219.2	219.8	486.8
2	5669.2	4827.5	3971.2	223.6	229.9	492.4
3	5789.1	4922.2	4033.5	226.8	236.2	496.3
4	5890.4	5008.6	4127.4	230.3	243.3	499.8
YEAR	5732.7	4878.0	3996.6	225.0	232.3	493.8
% change from '92	10.4	10.4	7.8	8.5	5.7	3.7
1994:1	6003.2	5096.2	4192.1	234.5	246.3	503.1
2	6102.6	5173.7	4283.7	236.7	250.3	504.7
3	6231.0	5277.5	4385.6	240.5	252.6	507.2
4	6399.3	5422.7	4496.7	242.3	257.1	110.8
YEAR	6184.0	5242.5	4339.5	238.5	251.6	406.4
% change from '93	7.9	7.5	8.6	6.0	8.3	-17.7

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ 7.30%	Time Deposits
+ .29%	Currency and demand deposits
+ .01%	Mortgages at all holders
- .09%	Large denom. time deposits
- .12%	Commercial install loans
- .31%	Commercial install credit

FORECAST CALLS FOR CONTINUOUS STRENGTH IN MARKETS FOR FEDERAL GOVERNMENT SECURITES, HOME MORTGAGES, AND MUNICIPAL SECURITIES.

Forecast data for money supply M1 indicate that Federal Reserve will pursue its policy of vigorous growth for months ahead. A slowdown in M1 is predicted for 1993 and afterward. Data point to a distinct trend in the aggregate M2: in the rest of this year the growth is expected to be minimal, mainly due to the weakness in markets for saving deposits and other near-money instruments included in M2. Data for 1993 show that growth of M2 will return to its normal growth in that year.

Markets for consumer credit are expected to regain vigor in the second half of this year and afterward.

Significant increases in the volume of commercial and industrial loans and corporate bonds are expected to take place in 1993.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDI-CATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	895.4	3408.4	729.4	582.3	529.8	4048.8
1992:1	917.3P	3451.2P	728.4P	584.0P	527.1P	4064.3P
2	931.6	3468.9	727.2	586.3	527.2	4156.2
3	947.2	3501.3	736.8	590.2	530.3	4221.2
4	963.4	3574.2	738.4	594.0	531.1	4236.8
YEAR	939.9	3499.4	738.4	594.0	531.1	4236.8
% change from '91	5.0	2.5	1.2	5.3	.2	4.6
1993:1	973.8	3585.6	743.2	596.5	537.2	4270.2
2	986.4	3614.1	749.3	601.2	538.5	4318.0
3	991.2	3688.1	758.2	608.7	540.5	4383.4
4	999.3	3761.2	772.0	612.4	543.0	4420.0
YEAR	987.7	3662.2	772.0	614.4	543.0	4420.0
% change from '92	5.1	4.7	4.6	3.4	2.2	4.3
1994:1	1009.7	3824.8	787.0	615.2	547.2	4462.1
2	1020.5	3893.2	803.4	617.4	552.6	4507.1
3	1029.5	3986.7	822.5	619.7	559.1	4571.4
4	1040.7	4095.2	838.4	621.3	563.2	4649.3
YEAR	1025.1	3950.0	838.4	621.3	563.2	4649.3
% change from '93	3.8	7.9	8.6	1.1	3.7	5.2

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1992
FORECAST
DATA

Percent Change
from
May 1992
Forecast

+ .03%	30 year govt. bond yield
- .10%	S & P's 500 avg.
- .20%	Conv. mortg. rate
- .65%	Aaa corp. bonds
- 2.44%	Prime rate
- 1.28%	Treasury bills 3 mo. yield

KEDI MAINTAINS ITS ASSUMPTION OF NO FURTHER SIGNIFICANT DECREASES IN INTEREST RATES WILL TAKE PLACE THIS AND THE FOLLOWING YEAR.

It is anticipated that Federal Reserve will maintain its policy of low interest rates throughout the rest of this year. It will then start pushing interest rates up in 1993 when the recovery will be on solid path upward and inflationary pressures will re-emerge.

Data on expected developments in stock markets, measured by Standard & Poor's 500 average point to gradual, moderate increases in the rest of this year, flatness in the first half of next year, and resumption of growth in the second half.

Forecast data of yields on corporate, municipal and Federal bonds indicate major increases are expected to take place in the second half of next year.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1991*	5.42	8.31	9.02	8.77	8.14	376.20
1992:1*	3.79	6.45	8.61P	8.24	7.79	413.00
2	3.81	6.28	8.45	8.30	7.83	416.22
3	3.84	6.35	8.51	8.36	7.76	417.41
4	3.96	6.56	8.80	8.52	7.83	419.42
YEAR	3.85	6.41	8.59	8.36	7.80	416.51
% change from '91	-29.0	-22.9	-4.7	-4.7	-4.1	10.7
1993:1	4.22	6.88	8.91	8.70	7.91	418.55
2	4.57	7.14	9.03	9.04	8.10	419.32
3	5.09	7.43	9.33	9.19	8.08	424.80
4	5.38	7.50	9.50	9.26	8.04	430.24
YEAR	4.81	7.24	9.19	9.05	8.03	423.23
% change from '92	25.1	12.9	7.0	8.3	2.9	1.6
1994:1	5.49	7.54	9.57	9.31	8.11	432.27
2	5.58	7.59	9.60	9.45	8.14	430.16
3	5.72	7.70	9.69	9.57	8.19	428.16
4	5.84	7.86	9.87	9.54	8.27	439.41
YEAR	5.66	7.67	9.68	9.47	8.18	432.50
% change from '93	17.5	6.0	5.3	4.6	1.8	2.2

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue housing starts has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from monthly figures published in Survey of Current Business (U. S. Department of Commerce), blue pages.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS

Housing Starts (mil. units., seas. adj.)
Actual figure: 1.1

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	1.4	+27.2
Manufacturers Hanover Trust, NY	12/90	1.3	+18.2
Valley National Bank, AR	11/90	1.3	+18.2
Metropolitan Life, NY	12/90	1.4	+27.2
K.E.D.I., Inc, OH	12/90	1.3	+18.2
Fidelity Bank, PA	12/90	1.3	+18.2
Society Bank, OH	12/90	1.2	+ 9.1
Fleet National Bank, RI	12/90	1.3	+18.2
John Hancock, MA	12/90	1.3	+18.2
Corstate Financial Corp., PA	12/90	1.1	0
National City Bank, OH	12/90	1.3	+18.2

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production**, G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross domestic product, 1987 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.12 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.13 Real GDP	Gross domestic product, 1987 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GDP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GDP	Gross domestic product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

July 1992

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SOURCES:

The U. S. Department of Commerce first quarter 1992 final estimates of Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, June 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Output will continue expanding at a moderately accelerating pace while unemployment remains uncomfortably high.

Prices

In May, consumer prices rose a barely perceptible one-tenth of a percent, and the June CPI is expected to move up the same amount.

Employment & Labor

The June jump in unemployment rate from 7.5% in May to 7.8% is a clear message underscoring the peculiarity of recovery.

Housing

April and May data on housing starts, sales and mobile home shipments indicate some slowdown in housing activities.

Automobiles

Markets for motor vehicles are clearly going better and forecast data indicate positive trend will continue for a long time.

Budgets

Surpluses of State and local governments will contribute to decline in deficits of public sector as a whole.

Income

In 1992:1 corporate after-tax profits surged 8%, the most in four years since an 11.1% gain in 1988:1.

Money & Credit

Consumer Credit markets are expected to recuperate the last half of this year with larger increases expected in 1993.

Interest Rates, Yields & Securities Prices

Some negative impact on CDs, money market funds and savings accounts is expected from retirees dependent on interest income from these sources.

0.02 ASSUMPTIONS

		Update
1.	In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2.	Monetary and credit policies are expected to tighten to the end of 1992 and afterward.	July 1992
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the July 1992 KEDI forecast.	
*	Growth will accelerate in the second half of 1992.	January 1992
*	The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	Toward the end of 1992 and in 1993, interest rates will be increasing.	June 1992
*	Federal budget deficits will keep declining in 1993 and the following years.	July 1991
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1992, 1993 and 1994 are on pages indicated below.

Indicator	Unit	1991	1995	1996	1997
Gross domestic	bil. 87$	4884.9	5370.1	5525.9	5697.2
product, p. 5	% change	-.7	2.9	2.9	3.1
Index of indust.	1987=100	107.2	121.5	125.2	129.3
prod., p. 5	% change	-1.8	2.6	3.1	3.2
Capacity	%	78.2	84.4	84.6	84.5
utiliz., p. 5	% change	-5.0	.2	.3	-.2
Unemployment	%	6.9	6.4	84.0	1.3
rate, p. 5	% change	6.8	.1	-.3	-.4
Private housing	mil.units	1.6	1.3	1.3	1.3
starts, p. 5	% change	-15.0	4.1	-.2	.4
Car sales,	mil.units	8.7	10.3	10.6	11.2
p. 5	% change	-8.8	3.2	2.8	6.0
Implicit GDP	1987=100	117.2	135.2	140.2	144.9
price def.,p.11	% change	3.8	3.8	3.7	3.3
Consumer Price	82-84=100	135.6	153.5	159.0	165.1
Index, p. 11	% change	3.7	3.7	3.6	3.8
Prod.Price Index	1982=100	121.9	141.8	147.5	153.3
(fin.goods),p.11	% change	1.8	4.9	4.0	3.9
Federal Deficit	bil. $	-181.5	-178.3	-155.8	-137.6
p. 21	% change	9.3	-10.4	-12.6	-11.7
Personal Income	bil. $	4843.7	6675.8	7183.2	7772.2
p. 23	% change	3.8	7.8	7.6	8.2
Prime Rate	%	8.3	7.2	7.7	8.3
p. 27	% change	-17.0	-3.6	7.0	8.0
Mortgage Rate	%	9.0	10.0	10.3	10.1
p. 27	% change	-7.3	5.0	2.7	-1.8
Currency+demand	bil. $	895.4	1087.4	1124.4	1169.3
deposits , p. 25	% change	13.6	5.0	3.4	4.0
Commercial+ind.	bil. $	582.3	598.0	615.4	629.5
loans, p. 25	% change	3.2	2.7	2.9	2.3
Raw steel	mil.sh.tons	87.6	87.0	88.0	89.9
production	% change	-3.4	-.7	1.2	2.1
Electric power	mil.kw-hr	3192	3294.1	3416.0	3528.8
production	% change	2.9	3.2	3.7	3.3
Bituminous coal	mil.sh.tons	941	948.5	951.4	961.8
production	% change	.3	.8	.3	1.1
Crude oil	avg. daily bbl.	2902	2899.1	2873.0	2896.0
output	% change	-.5	-.1	-.9	.8
Retail sales	bil. $	1834.5	2543.8	2724.4	2923.2
p. 7	% change	1.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

OUTPUT WILL CONTINUE EXPANDING AT A MODERATELY ACCELERATING PACE WHILE UNEMPLOYMENT REMAINS UNCOMFORTABLY HIGH AND WILL DECLINE IN MARGINAL INTERVALS ONLY.

Compared to last month's forecast, this forecast has barely changed: In the second half of this year, the growth rate of the volume of output will accelerate. In 1993 and 1994 the economy will continue expanding. No significant downturn is predicted.

Forecast data point convincingly to these factors which cause this evolution, unprecedented in any previous recovery in this century:

* continuous reductions in number of employed persons in defense and defense-related industries due to cuts in Federal budget expenditures on defense
* structural changes in some segments of manufacturing due to gains in productivity. These segments are increasing output without the need of a corresponding increase in the number of employed persons
* the role of services sector, notably health care and education, as the largest employer of the new labor force in the past year is expected to be not as great in this and following years.

Data show that the health-care segment and related industries are approaching the near-full capacity levels, and the expansion of educations services is severaly limited by availability of funds from the Federal and State and Local budgets.
These factors help to explain the peculiar pattern of the economy expected to evolve this and following years.

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ 5.21%	Unemployment
+ 1.88%	Private Housing Starts
+ .48%	GDP
- .27%	Index Indust. Prod.
- .50%	Capacity Util.
- 1.36%	Autos

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GDP	Index of ind. prod.	Unemployment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$87 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1991*	4848.3	107.1	6.76	78.2	1.016	8.7P
1992:1*	4990.9	105.6	7.29	78.6	1.072P	8.7
2	4937.3	108.1	7.57	78.8	1.108	8.9
3	4978.4	110.1	7.76	79.6	1.151	9.2
4	5015.2	112.2	7.68	81.0	1.152	9.5
YEAR	4980.4	109.0	7.58	79.5	1.121	9.1
% change from '91	2.7	1.8	12.1	1.7	10.3	4.3
1993:1	5040.0	113.5	7.24	82.1	1.142	9.7
2	5073.3	114.0	7.03	83.2	1.239	9.8
3	5095.2	115.0	6.83	83.6	1.240	10.0
4	5129.1	115.8	6.62	84.0	1.214	9.9
YEAR	5084.4	114.6	6.93	83.2	1.209	9.8
% change from '92	2.1	5.1	-8.5	4.7	7.9	8.5
1994:1	5166.1	117.0	6.54	84.2	1.193	9.8
2	5199.4	118.1	6.62	84.5	1.249	9.9
3	5235.7	118.8	6.19	83.5	1.309	10.1
4	5273.9	119.7	6.08	84.7	1.274	10.1
YEAR	5218.8	118.4	6.36	84.2	1.256	10.0
% change from '93	2.6	3.3	-8.3	1.2	3.9	1.3

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ .91%	Retail Sales Durable
- .04%	Pers. Con. Expend. Nondurable
- .04%	Pers. Con. Expend. Durable
- .42%	Pers. Con. Expend. Services
- 1.05%	Retail Sales Total
- 1.29%	Retail Sales Nondurable

DATA SUGGESTS CONSUMER SPENDING WILL EXPAND BY APPROXIMATELY 2.1% MEASURED BY 1987 PRICES, AND BY 6.0% IN CURRENT DOLLARS.

Data for 1993 call for more expansion: 2.3% in constant 1987 dollars, and 6.5% in current dollars. Data are commensurate with the moderate overall growth of the economy, and indicate that the consumer will be neither a main nor a negligible factor in the evolution. Data point to the fastest growth in the second half of this year and in 1993 to be in consumer spending on durables and services. In the durables segment, the largest increases are expected to be on motor vehicles and parts. Gains in purchases of other durables notably household durables are also expected to be healthy. In the services segment, consumers are expected to keep increasing their spending on health and health-related services, mainly due to ever increasing costs of health care. Data indicate moderate growth rates of spending on ondurables: the above average spending is expected to take place on textile, apparel, footwear, and coal and petroleum - products.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1991*	447.3	1256.8	2207.2	1838.9	681.2	1161.4
1992:1	465.7	1272.7	2282.2	2018.3	709.4	1309.2
2	478.3	1294.0	2383.9	2035.1	727.2	1303.9
3	489.8	1325.3	2433.9	2007.1	759.6	1163.8
4	510.7	1346.2	2475.2	2049.0	785.1	1263.9
YEAR	486.1	1309.5	2393.8	2027.4	745.3	1260.2
% change from '91	8.7	4.2	8.5	10.2	9.4	8.5
1993:1	523.1	1372.1	2458.5	2127.9	778.0	1349.9
2	529.0	1384.5	2551.1	2179.3	809.8	1186.5
3	538.4	1392.4	2597.0	2231.7	824.2	1407.5
4	555.6	1398.4	2658.6	2297.2	840.1	1457.1
YEAR	536.5	1386.8	2566.3	2209.0	813.0	1350.2
% change from '92	10.4	5.9	7.2	9.0	9.1	7.1
1994:1	568.6	1413.5	2680.2	2315.2	872.2	1443.0
2	580.3	1428.5	2706.3	2347.1	892.3	1454.8
3	593.0	1447.4	2776.6	2374.0	896.9	1477.1
4	610.3	1465.2	2856.9	2402.5	901.3	1501.2
YEAR	588.0	1438.7	2755.0	2359.7	890.7	1469.0
% change from '93	9.6	3.7	7.4	6.8	9.6	8.8

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ .62%	Pers. Cons. Expend.
+ .48%	GDP
+ .16%	Gross Private Dom. Invest.
- .05%	Federal Govt. Purch.
0.00%	State Local Purch.
- 7.05%	Net Exports

COMPARED TO THE SECOND ESTIMATE OF 1992:1 GDP AND COMPONENTS, THE FINAL ESTIMATE RELEASED BY COMMERCE DEPT. SHOWS A SLIGHT IMPROVEMENT.

Now, the rate of growth of GDP is estimated to be 2.4% instead of previously reported 2.0-2.2% rates. That is a fairly strong rate caused mainly by the spurt in single-family housing starts, consumer spending, and net exports in that quarter.

Data for 1992:2 are expected to show a weaker performance expressed by 1.8-2.0% rate of growth. The slowdown is expected to be caused mainly by the slowdown in housing starts and consumer spending. The outlook for the second half of this year is brighter: The rate of growth is expected to be 2.6% in the third quarter and near 2.7% in the fourth quarter, resulting in the 2.4% growth for the year as a whole. In the second half of this year, main factors contributing to the growth are expected to be exports, residential construction, business capital outlays, and consumer spending on durables.

TABLE 1.13
REAL GDP
Quarterly data are seasonally adjusted at annual rates.

	-----------Gross Domestic Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1991*	4848.3	3272.2	674.0	-21.3	370.7	552.7
1992:1*	4990.9	3401.3	679.7	-20.1	371.7	558.3
2	4937.3	3327.4	699.2	-23.3	374.4	559.6
3	4978.4	3351.3	713.2	-25.4	378.1	561.2
4	5015.2	3370.4	729.7	-27.5	380.2	562.4
YEAR	4980.4	3362.6	705.5	-24.1	376.1	560.4
% change from '91	2.7	2.8	4.7	13.0	1.5	1.4
1993:1	5040.0	3389.1	736.5	-30.3	381.0	563.7
2	5073.3	3409.2	749.0	-32.1	382.2	565.0
3	5095.2	3422.8	756.8	-35.1	382.7	568.0
4	5129.1	3448.6	764.3	-36.4	383.0	569.6
YEAR	5084.4	3417.4	751.6	-33.5	382.2	566.6
% change from '92	2.1	1.6	6.5	39.0	1.6	1.1
1994:1	5166.1	3467.7	779.4	-37.1	384.1	572.0
2	5199.4	3491.7	785.3	-36.4	385.0	573.8
3	5235.7	3517.2	794.2	-38.2	388.3	574.2
4	5273.9	3547.3	798.9	-37.7	389.7	575.7
YEAR	5218.8	3506.0	789.5	-37.4	386.8	573.9
% change from '93	2.6	2.6	5.0	11.6	1.2	1.3

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ 1.96%	Pers. Cons. Expend.
+ .07%	Consumer Price Index
+ .02%	Producer Price Index
+ .02%	Federal Govt. Purch
+ .02%	State Local Purch.
- .02%	GDP

IN MAY, CONSUMER PRICES ROSE A BARELY PERCEPTIBLE ONE-TENTH OF A PERCENT, AND THE JUNE CPI IS EXPECTED TO MOVE UP BY THE SAME MARGIN.

Changes in PPI for May and June were .4% and .2%, respectively. Forecast data for the rest of this year show that inflation will continue at a slow pace: for this year 2.7% at the consumer price level, and 2.1% at the producer price level. Data for 1993 point to a somewhat faster pace: 3.4% and 4.2% for consumer and producer prices, respectively. Data show that main factors contribution to the moderate pace of price increases are: mostly stable prices in international markets and marginal increases only in prices of oil; relatively high unemployment which will keep checking the wage factor; and not excessive demand for materials and energy due to a moderate growth in the majority of industries.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1991*	136.5	121.9	117.2	119.7	115.5	116.4
1992:1*	137.9	123.1	118.8	121.4	118.5	117.4
2	139.5	123.5	121.3	124.9	119.0	119.1
3	140.6	125.1	122.9	126.8	119.9	120.8
4	142.8	125.6	122.9	128.5	115.9	121.6
YEAR	140.2	124.3	121.5	125.4	118.3	119.7
% change from '91	2.7	2.0	3.6	4.8	2.4	2.9
1993:1	143.3	126.7	124.1	128.4	121.0	122.1
2	144.2	127.8	125.8	130.9	121.9	123.0
3	145.3	129.0	126.9	132.3	123.0	124.2
4	146.0	131.4	128.0	133.7	123.8	125.8
YEAR	144.7	128.7	126.2	131.3	122.4	123.8
% change from '92	3.2	3.5	3.9	4.7	3.5	3.4
1994:1	146.8	132.7	128.5	134.4	125.0	127.1
2	147.3	134.0	129.2	134.9	126.1	128.4
3	148.1	136.0	130.8	136.8	127.2	130.1
4	149.9	138.1	132.6	138.9	128.6	131.6
YEAR	148.0	135.2	130.3	136.3	126.7	129.3
% change from '93	2.3	5.0	3.2	3.8	3.5	4.5

---

*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ .64%	Gross Private Dom. Invest.
+ .40%	GDP
+ .39%	Pers. Cons. Expend.
+ .02%	State Local Purch.
+ .05%	Federal Govt. Purch.
-10.83%	Net Exports

THE THIRD AND FINAL ESTIMATE OF NOMINAL GDP AND COMPONENTS FOR 1992:1, RELEASED BY COMMERCE DEPT. IS A BIT BETTER THAN PREVIOUS ESTIMATES.

Compared to the second estimate, the total value of nominal GDP has remained almost unchanged--from the $4896.9 bil. it has been raised to $4900.9 bil. This increase has been caused mainly by the upward revision by $5 bil. of Gross Domestic Private Investment (due to the larger-than-previously estimated increase in business inventories), by $2 bil. of lower negative net exports matching the decline in nominal consumer spending.

The outlook for components of nominal GDP for the rest of this year calls for regular and steady increases in consumer expenditures, and fast growth of Gross Private Domestic Investment (due mainly to increases in residential construction, values of changes in business inventories, and values of spending on business on equipment). Compared to the forecast data for net exports in constant $, the outlook for nominal net exports is not as bright: the nominal deficits are expected to grow faster than the real ones.

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

	-----------Gross Domestic Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	5682.2	3914.7	727.0	-31.0	428.2	643.3
1992:1	5929.2	4128.8	728.4	-24.1	440.6	655.4
2	5988.9	4156.2	749.2	-28.5	445.5	666.5
3	6118.5	4249.0	767.2	-29.0	453.3	677.9
4	6163.7	4332.1	782.5	-30.4	432.0	647.5
YEAR	6050.1	4216.5	756.8	-28.0	442.9	661.8
% change from '91	6.5	7.7	4.1	-9.7	3.4	2.9
1993:1	6254.6	4353.7	784.3	-32.6	461.0	688.3
2	6382.2	4464.6	790.0	-33.2	465.9	695.0
3	6465.8	4527.8	797.2	-35.4	470.7	705.5
4	6565.2	4612.6	800.1	-38.2	474.2	716.6
YEAR	6417.0	4489.7	792.9	-34.9	467.9	701.3
% change from '92	6.1	6.5	4.8	24.5	5.7	6.0
1994:1	6638.4	4662.3	808.2	-39.2	480.1	727.0
2	6717.6	4715.1	818.4	-38.1	485.5	736.8
3	6848.3	4817.0	829.5	-39.2	493.9	747.0
4	6993.2	4932.4	837.1	-35.1	501.2	757.6
YEAR	6799.4	4781.7	823.3	-37.9	490.2	742.1
% change from '93	6.0	6.5	3.8	8.8	4.7	5.8

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ 5.65%	Unemployment
+ .16%	Civilian Labor Force
+ .01%	Population
0.00%	Agriculture
- .23%	Total Employed
- .24%	Nonagriculture

THE JUNE JUMP IN UNEMPLOYMENT RATE FROM 7.5% IN MAY TO 7.8% IS A CLEAR MESSAGE UNDERSCORING THE PRECULIARITY OF THE UNFOLDING RECOVERY: The unemployment rate will stay high for a long time ahead due to factors outlined in the 1.11 REAL GROWTH section of this report on page 5: Federal budget defense expenditures cuts; structural changes in some sectors of manufacturing, slow growth in the main absorber of new jobs--the health care industry, and leveling off in the number of employed persons in the educational sector.

Forecast data for the rest of this year and 1993 indicate that most of the new job offerings will take place in the health-care services. However, the predicted increases of 80 thousand total of this year and 90 thousand in 1993 are not enough to cause a significant reduction in unemployment. Some increases in employment are expected in manufacturing, especially in its exporting segments: instruments, office equipment, fabricated metal products, and some chemical and allied products. Forecast data also call for some gains in employment in segments producing machinery and equipment for domestic businesses. In the construction industry, improvements are expected in 1-family housing, public projects, and roads maintenance and repairs. However, the job situation will remain tight in passenger airline transportation, hotels, travel, real estate, and banking and insurance.

TABLE 1.30
EMPLOYMENT & LABOR
Quarterly data are seasonally adjusted at annual rates.

			-------Employment-------			
INDICATOR	Population	Civil. labor force	Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1991*	263.9	125.7	116.9	3.2	113.7	6.76
1992:1	266.0	127.1	117.8	3.2	114.6	7.29
2	266.4	127.4P	118.1P	3.2P	114.6P	7.57
3	267.0	127.5	117.6	3.2	114.4	7.76
4	267.9	128.8	118.9	3.2	115.7	7.68
YEAR	266.8	127.7	118.7	3.2	115.5	7.58
% change from '91	1.1	1.6	1.5	0.0	1.6	12.1
1993:1	269.8	128.9	119.6	3.2	116.4	7.24
2	270.3	130.0	120.9	3.2	117.7	7.03
3	271.2	130.7	121.8	3.2	118.6	6.83
4	272.1	131.5	122.8	3.2	119.6	6.62
YEAR	270.9	130.3	121.2	3.2	118.0	6.93
% change from '92	1.5	2.0	2.2	0.0	2.2	-8.5
1994:1	271.9	131.4	122.8	3.2	119.6	6.54
2	273.0	132.5	123.7	3.2	120.5	6.62
3	274.0	133.8	125.5	3.2	122.3	6.19
4	274.8	134.9	126.7	3.2	123.5	6.08
YEAR	273.4	133.2	124.7	3.2	121.5	6.36
% change from '93	1.0	2.2	2.4	0.0	2.9	-8.26

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ .41%	1-family housing existing
+ .06%	1-family housing new
- .63%	Single family housing starts
- 1.22%	Permits issued
- 3.96%	Mobile home shipments
- 5.18%	Multiple family housing starts

APRIL AND MAY DATA ON HOUSING STARTS, SALES AND MOBILE HOME SHIPMENTS INDICATE SOME SLOWDOWN IN HOUSING ACTIVITIES. This is considered here to be just a temporary aberration from the upward trend in the housing industry since, in the first three months of this year, starts, sales and shipments were extraordinarily strong. Forecast data for the rest of this year and in 1993 point convincingly that the upward trend in housing starts will resume and will continue throughout the next year. Single-family starts are expected to continue at healthy pace, this year stimulated by some declines in mortgage rates, and in the next year by expected increases in consumers' propensity to spend on investment in housing.

Data on apartment units are not as encouraging, weakness in multi-family housing starts is expected to continue this year and in the most of next year. The outlook calls for better prospects in this segment in 1994 and afterward.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1991*	.846	.170	.163	.941	150.7	129.4
1992:1	.930	.142	.161	.971	150.4	134.3
2	.950	.158	.183	.970	154.1	138.0
3	.970	.181	.194	.980	160.4	141.5
4	.950	.202	.165	1.042	165.9	142.9
YEAR	.950	.171	.176	.991	157.7	139.2
% change from '91	12.3	.4	7.8	5.3	4.6	7.6
1993:1	.941	.201	.180	.960	167.7	144.9
2	.992	.247	.191	.994	170.5	147.8
3	.974	.266	.200	1.040	174.3	148.7
4	.979	.235	.187	.972	179.7	151.2
YEAR	.972	.237	.190	.992	173.1	148.2
% change from '92	2.3	39.0	7.8	.1	9.7	6.4
1994:1	.952	.241	.198	.982	180.3	153.6
2	.981	.268	.201	.989	183.2	155.7
3	1.011	.298	.216	1.068	186.7	156.4
4	.980	.294	.204	.995	189.1	158.9
YEAR	.981	.275	.205	1.008	184.8	156.2
% change from '93	1.0	16.0	8.0	1.7	6.8	5.4

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ 6.67%	Dealer Inventory
+ 2.27%	Shipments
+ 1.32%	Light Truck Sales
+ .74%	Domestic Car Sales
- 1.36%	Total Car Sales
- 3.26%	Imported Car Sales

MARKETS FOR MOTOR VEHICLES ARE CLEARLY GOING BETTER AND FORECAST DATA INDICATE THAT THE POSITIVE TREND WILL CONTINUE FOR A LONG TIME AHEAD.

KEDI reiterates its forecast of this year to be the first good year for automakers after many years of problems.

Forecast data show that the strongest growth will occur for light-duty trucks, mainly pick-ups, jeeps, vans, and recreational vehicles. This year, 3.8 mil. units are expected to be sold, compared to 3.4 mil. last year--a 12.5% increase. In 1993, the forecast calls for 4.1 mil. units sold--an additional 6.5% rise. In 1994, markets are expected to stabilize.

Forecast data indicate that the group of domestic automakers will show the total after-tax profits to be around $1.5 bil., mostly from sales of the light-duty truck category.

The outlook for cars if also positive, though not as much as for trucks. Data call for a 5% increase in number of units sold this year over the last year, and for an additional increase of 8.2% in 1993.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1991*	8.7	6.1	2.6	1.5	6.1	3.4
1992:1	8.7	6.5	2.2	1.3	6.3	3.6
2	8.9	6.7	2.2	1.4	6.6	3.8
3	9.2	7.0	2.2	1.5	6.9	4.0
4	9.5	7.2	2.3	1.6	7.2	4.0
YEAR	9.1	6.8	2.2	1.6	6.8	3.9
% change from '91	4.3	12.3	-14.4	6.7	10.7	13.2
1993:1	9.7	7.4	2.3	1.5	7.2	3.9
2	9.8	7.5	2.3	1.6	7.3	3.9
3	10.0	7.6	2.4	1.7	7.5	4.2
4	9.9	7.6	2.3	1.7	7.2	4.3
YEAR	9.8	7.5	2.3	1.7	7.3	4.1
% change from '92	8.5	4.0	4.5	6.2	8.1	5.8
1994:1	9.8	7.4	2.4	1.7	7.0	3.9
2	9.9	7.4	2.5	1.7	7.2	4.0
3	10.1	7.6	2.5	1.8	7.3	4.1
4	10.1	7.7	2.4	1.8	7.3	4.3
YEAR	10.0	7.5	2.5	1.8	7.2	4.1
% change from '93	1.3	-4.1	5.4	5.9	-1.4	0.0

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1992
FORECAST
DATA

Percent Change from June 1992 Forecast

+	.61%	State Income Tax
+	.18%	Federal Surplus Deficit
+	.12%	State Surplus Deficit
+	.09%	Federal Income Tax
-	.19%	Corporate Profit Tax
-	.75%	State Corp. Tax Accrued

EXPECTED GROWTH OF SURPLUSES OF STATE AND LOCAL GOVERNMENTS WILL POSITIVELY CONTRIBUTE TO THE OVERALL DECLINE IN DEFICITS OF THE PUBLIC SECTOR AS A WHOLE.

This forecast reieterates what has been stated in previous KEDI forecasts on Federal and State and Local budgets: Federal budget deficits will continue existing at extraordinarily high levels for the foreseeable future. Since it is anticipated that the legislature will not be able to reach an efficient accord on reducing the deficits, data on entitlement expenses point to a fast, steady and uncontrollable growth. For example, the long-term forecast for deficits in 1997 show the figure of $160 bil. of red ink, and the figure for the year 2000 calls for $140 bil.

The outlook for State and local budget surpluses is optimistic. Data call for continuous marginal increases this and the following years.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	FEDERAL Income taxes	FEDERAL Corp. profits tax accru.	FEDERAL Surplus /deficit	STATE AND LOCAL Income taxes	STATE AND LOCAL Corp. profits tax accru.	STATE AND LOCAL Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	504.1	97.1	-218.2	223.4	22.3	38.7
1992:1	518.9P	101.4P	-229.2P	228.2P	25.4P	40.2P
2	525.9	105.4	-236.1	234.8	25.8	40.9
3	544.1	108.9	-239.9	239.9	26.4	41.7
4	564.2	114.7	-242.5	247.3	27.6	42.2
YEAR	538.3	107.6	-236.9	237.6	26.3	41.2
% change from '91	6.8	10.8	8.6	6.3	17.9	6.6
1993:1	579.2	119.2	-240.3	248.0	28.3	43.1
2	583.1	122.3	-225.1	256.3	29.0	44.2
3	600.3	124.1	-216.9	265.3	30.3	46.0
4	610.2	127.0	-203.1	272.7	31.7	47.2
YEAR	593.2	123.2	-221.3	260.6	29.8	45.1
% change from '92	10.2	14.5	-6.6	9.7	13.4	9.4
1994:1	626.2	130.6	-208.7	278.6	32.1	47.5
2	641.3	133.8	-201.3	285.0	33.5	48.1
3	658.2	135.3	-196.2	291.3	34.4	50.3
4	676.4	140.1	-189.7	295.6	35.7	52.0
YEAR	650.5	134.9	-199.0	287.6	33.9	49.5
% change from '93	9.7	9.6	-10.1	10.4	13.7	9.6

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
June 1992
Forecast

+ 2.40%	Corporate after tax profit
+ .91%	Personal savings
+ .41%	Personal Disp. income
+ .39%	Personal Income
+ .01%	Average Weekly earnings
- .88%	Comp. of employees

IN THE FIRST QUARTER OF THIS YEAR, CORPORATE AFTER-TAX PROFITS SURGED 8%, THE MOST IN FOUR YEARS SINCE AN 11.1% GAIN IN 1988:1.

Forecast data indicate that gains in profits will slow down somewhat in the second quarter of this year, and then accelerate again in the second half of this year and in 1993.

KEDI's ranking of industries expected to show the largest and the smallest increases in earnings in 1993, compared to the expected performances this year are the following:

LARGEST GAINS: Consumer durables, industries producing capital equipment and related basic industries, health care, technology, home building, gas, rubber, computers and office equipment, non-ferrous metals, and trucking.
LOWEST GAINS: Insurance, telepone and electrical utilities, defense, maritime transportation and real estate.
Forecast data on personal income and components show regular, moderate increases while income from investments in savings accounts, CDs, and money market funds indicate some declines in the second half of 1992 and first half of 1993.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1991*	4843.7	4218.5	3387.7	188.6	222.1	459.1
1992:1	5090.5	4343.4	3604.1	204.9	214.6	468.4
2	5140.1	4379.4	3639.0	210.5	223.2	474.1
3	5255.9	4471.9	3720.1	214.2	222.9	477.6
4	5370.1	4558.6	3730.2	219.5	226.5	484.9
YEAR	5214.2	4438.3	3673.3	212.3	221.8	476.2
% change from '91	7.6	5.2	8.4	12.6	-.1	3.7
1993:1	5611.6	4784.4	3857.1	223.0	229.5	487.8
2	5743.0	4903.6	3978.2	225.4	234.7	493.7
3	5841.1	4975.5	4039.5	229.8	239.2	496.3
4	5954.5	5071.6	4137.4	234.2	247.8	501.4
YEAR	5787.5	4933.8	4003.0	228.1	237.8	494.8
% change from '92	11.0	11.2	9.0	7.5	7.2	3.9
1994:1	6030.8	5126.0	4192.4	238.1	246.5	503.1
2	6111.0	5184.7	4283.7	240.9	250.3	504.7
3	6242.3	5292.8	4385.6	243.5	252.6	507.2
4	6387.1	5415.1	4496.7	247.3	257.1	510.8
YEAR	6192.8	5254.7	4339.6	242.4	251.6	506.4
% change from '93	7.0	6.5	8.4	6.3	5.8	2.4

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1992
FORECAST
DATA

Percent Change from June 1992 Forecast

+	.10%	Commercial install loans
-	.05%	Commercial install credit
-	.10%	Time deposits
-	.16%	Mortgages at all holders
-	.17%	Large denom. time deposits
-	.66%	Currency and demand deposits

MARKETS FOR CONSUMER CREDIT ARE EXPECTED TO RECUPERATE SOMEWHAT IN THE SECOND HALF OF THIS YEAR, HOWEVER, MAIN INCREASES ARE EXPECTED IN 1993 AND FOLLOWING YEARS.

Forecast data for Money Supply M1 suggests that the Federal Reserve will continue pumping money into the economy for the rest of this year and approximately the first half of next year. More restrictive policy is expected afterward. Data on Money Supply M2 and CDs point to continuous weaknesses in the second half of this year and small growth in 1993. A return to more normal conditions is expected in the second half of 1993 and afterwards. It is expected that investors who shifted their funds from M2 and CDs will continue to be reluctant to invest in these markets until interest rates rise enough to make these markets attractive agin. The outlook for bonds and stock markets remains positive, in general, for the rest of this year and 1993; however, no significant increases in most of them are predicted. Largest increases in bonds issued and traded in the next year due to expected gains in demand for funds to finance businesses' capital outlays, and for Federal Government bonds due to continuous Federal budget deficits.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	895.4	3408.4	729.4	582.3	529.8	4048.8
1992:1	917.3P	3451.2P	728.4P	584.3P	527.1P	4064.3P
2	931.6	3468.9	720.2	586.5	527.2	4150.6
3	948.9	3487.3	732.8	590.2	529.1	4218.2
4	936.8	3574.2	738.0	594.6	530.2	4230.1
YEAR	933.6	3495.4	738.0	594.6	530.2	4230.1
% change from '91	4.3	2.6	1.2	5.3	.1	4.5
1993:1	977.8	3580.2	740.1	596.2	534.2	4270.2
2	990.2	3614.1	749.3	601.2	538.0	4318.5
3	996.2	3698.3	758.0	608.9	540.5	4383.4
4	1011.4	3781.2	772.6	611.7	542.1	4423.6
YEAR	993.9	3668.4	772.6	611.7	542.1	4423.6
% change from '92	6.5	5.0	4.7	2.9	2.2	4.6
1994:1	1017.7	3823.2	787.4	615.4	547.5	4462.1
2	1026.5	3893.4	803.4	617.4	552.6	4507.1
3	1039.5	3986.7	822.9	619.7	559.1	4571.4
4	1058.7	4095.2	839.2	624.6	563.6	4649.3
YEAR	1035.6	3949.6	839.2	624.6	563.6	4649.3
% change from '93	4.2	7.7	8.6	2.1	4.0	5.1

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1992 FORECAST DATA

Percent Change
from
June 1992
Forecast

+ .02%	S & P's 500 avg.
- .27%	Aaa corp. bonds
- 1.25%	Conv. mortg. rate
- 1.47%	30 year govt. bond yield
- 3.08%	Prime rate
- 7.86%	Treasury bills 3 mo. yield

SOME NEGATIVE IMPACT IN COMING MONTHS IS SEEN IN FORECAST DATA OF PERSONAL INCOME AND PERSONAL DISPOSABLE INCOME OF RETIREES AND OTHERS WHOSE SPENDING IS DEPENDENT ON INTEREST FROM CDs, MONEY MARKET FUNDS AND SAVINGS ACCOUNTS.

This forecast incorporates the expected effects of the twenty-third consecutive reduction in the Federal Funds rate and the Fed discount rate, taken by the Federal Reserve at the beginning of this month. These new data, when compared to data in the June KEDI forecast, do not show any significant effect on major indicators of the economy, however. They do show a temporary overall decline in short-term rates only with a minimal effect on long-term rates.

Forecast data on long-term yields, which really matter since they affect the decisions of businesses on capital outlays and decisions of consumers to invest in durables, have remained essentially unchanged.

Data for 1993 and beyond show the trend already demonstrated in previous KEDI forecasts: gradual increases in interest rates starting toward the end of this year and continuing in small margins throughout the remainder of this year and 1993. Data for stock and bond markets point to regular and slow upward trends without significant ups or downs for the rest of this year and afterward.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES

Quarterly averages of monthly figures.

INDICATOR Unit	Treas. bills 3 mo. yield %	Prime rate %	Conv. mortg rate %	Aaa corp. bond rate %	30 yr. Govt. bonds yield %	S & P's 500 Avg 1941-43 = 10
Year & Qtr.						
1991*	5.42	8.31	9.02	8.77	8.14	376.20
1992:1*	3.79	6.45	8.61	8.24	7.79	413.00
2	3.80	6.28	8.45	8.30	7.38	416.37
3	3.24	6.01	8.41	8.34	7.76	417.48
4	3.36	6.11	8.46	8.47	7.81	419.52
YEAR	3.55	6.21	8.48	8.34	7.68	416.59
% change from '91	-34.5	-25.2	-6.0	-4.9	-5.6	10.7
1993:1	3.72	6.20	8.61	8.60	7.86	419.80
2	3.87	6.34	8.83	8.84	7.90	421.40
3	4.19	6.53	9.03	9.09	8.03	424.85
4	4.98	6.80	9.15	9.26	8.04	430.24
YEAR	4.19	6.47	8.90	8.95	7.96	424.07
% change from '92	18.1	4.1	5.0	7.3	3.5	1.8
1994:1	5.19	7.04	9.27	9.31	8.11	432.27
2	5.28	7.29	9.30	9.45	8.14	430.16
3	5.62	7.60	9.69	9.57	8.19	428.16
4	5.84	7.86	9.87	9.54	8.27	439.41
YEAR	5.48	7.45	9.53	9.47	8.18	432.50
% change from '93	30.8	15.2	7.0	5.8	2.8	2.0

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue housing starts has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from monthly figures published in Survey of Current Business (U. S. Department of Commerce), blue pages.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Housing Starts (mil. units., seas. adj.)
Actual figure: 1.1

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	1.4	+27.2
Manufacturers Hanover Trust, NY	12/90	1.3	+18.2
Valley National Bank, AR	11/90	1.3	+18.2
Metropolitan Life, NY	12/90	1.4	+27.2
K.E.D.I., Inc, OH	12/90	1.3	+18.2
Fidelity Bank, PA	12/90	1.3	+18.2
Society Bank, OH	12/90	1.2	+ 9.1
Fleet National Bank, RI	12/90	1.3	+18.2
John Hancock, MA	12/90	1.3	+18.2
Corstate Financial Corp., PA	12/90	1.1	0
National City Bank, OH	12/90	1.3	+18.2

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth	Gross domestic product, 1987 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.12 Consumer Spending and Retail Sales	Personal cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.13 Real GDP	Gross domestic product, 1987 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GDP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GDP	Gross domestic product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KENT ECONOMIC
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KEDI ECONOMIC SURVEY

August 1992

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SOURCES:

The U. S. Department of Commerce first quarter 1992 final estimates of Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, July 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

The economy continues sending signals of moderate growth of output in months ahead.

Prices

No significant changes in expected developments in price levels are contained in this forecast compared to the July issue.

Employment & Labor

KEDI's long term forecast calls for some improvements in the number of employed persons late in 1993 and in 1994.

Housing

Forecast data indicate that single-family housing will continue to be a factor propelling the recovery.

Automobiles

Recently released data on factory shipments of cars are encouraging and confirm the forecast trend.

Budgets

Data shows convincingly that a balanced or near-balanced Federal budget is not in sight in the foreseeable future.

Income

Forecast data on income of the business sector shows a continuous strength throughout this year and afterward.

Money & Credit

Money supply M1 approaches 10-15% growth rate while money supply M2 has remained almost flat.

Interest Rates, Yields & Securities Prices

Regarding the Federal Reserve policy, one thing is certain: there will be no more significant rate reductions in Federal funds and discount loans.

0.02 ASSUMPTIONS

		Update
1.	In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2.	Monetary and credit policies are expected to tighten to the end of 1992 and afterward.	July 1992
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the August 1992 KEDI forecast.	
*	Growth will accelerate in the second half of 1992.	January 1992
*	The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	Toward the end of 1992 and in 1993, interest rates will be increasing.	June 1992
*	Federal budget deficits will keep declining in 1993 and the following years.	July 1991
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1992, 1993 and 1994 are on pages indicated below.

Indicator	Unit	1991	1995	1996	1997
Gross domestic	bil. 87$	4884.9	5377.0	5532.9	5704.5
product, p. 5	% change	-.7	2.9	2.9	3.1
Index of indust.	1987=100	107.2	121.5	125.2	129.3
prod., p. 5	% change	-1.8	2.6	3.1	3.2
Capacity	%	78.2	84.4	84.6	84.5
utiliz., p. 5	% change	-5.0	.2	.3	-.2
Unemployment	%	6.9	6.4	6.3	1.2
rate, p. 5	% change	6.8	.1	-.3	-.4
Private housing	mil.units	1.6	1.3	1.3	1.3
starts, p. 5	% change	-15.0	4.1	-.2	.4
Car sales,	mil.units	8.7	10.3	10.6	11.2
p. 5	% change	-8.8	3.2	2.8	6.0
Implicit GDP	1987=100	117.2	135.2	140.2	144.9
price def.,p.11	% change	3.8	3.8	3.7	3.3
Consumer Price	82-84=100	135.6	154.7	160.3	166.4
Index, p. 11	% change	3.7	3.7	3.6	3.8
Prod.Price Index	1982=100	121.9	141.4	147.1	152.8
(fin.goods),p.11	% change	1.8	4.9	4.0	3.9
Federal Deficit	bil. $	-181.5	-179.5	-156.9	-138.6
p. 21	% change	9.3	-10.4	-12.6	-11.7
Personal Income	bil. $	4843.7	6699.2	7208.4	7799.5
p. 23	% change	3.8	7.8	7.6	8.2
Prime Rate	%	8.3	7.4	8.0	8.6
p. 27	% change	-17.0	1.4	7.0	8.0
Mortgage Rate	%	9.0	10.0	10.3	10.1
p. 27	% change	-7.3	5.0	2.7	-1.8
Currency+demand	bil. $	895.4	1079.8	1116.5	1161.1
deposits , p. 25	% change	13.6	5.0	3.4	4.0
Commercial+ind.	bil. $	582.3	598.0	615.4	629.5
loans, p. 25	% change	3.2	2.7	2.9	2.3
Raw steel	mil.sh.tons	87.6	87.0	88.0	89.9
production	% change	-3.4	-.7	1.2	2.1
Electric power	mil.kw-hr	3192	3294.1	3416.0	3528.8
production	% change	2.9	3.2	3.7	3.3
Bituminous coal	mil.sh.tons	941	948.5	951.4	961.8
production	% change	.3	.8	.3	1.1
Crude oil	avg. daily bbl.	2902	2899.1	2873.0	2896.0
output	% change	-.5	-.1	-.9	.8
Retail sales	bil. $	1834.5	2568.0	2750.3	2951.1
p. 7	% change	1.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+ 1.63%	Private housing starts
+ .69%	GDP
0.00%	Index Indust. Prod.
0.00%	Capacity Util.
- .23%	Unemployment
- .82%	Autos

THE ECONOMY CONTINUES SENDING SIGNALS OF MODERATE GROWTH OF OUTPUT IN MONTHS AHEAD. It will continue accelerating the rest of this year. There are, however, distressing signals on unemployment pointing to a persistently high unemployment rate for the rest of this year and for 1993.
Recently released data on output show that the economy will continue expanding. Data published in July are convincing. Increases have been reported in:
* industrial production
* retail sales
* car sales
* housing starts and sales
* factory orders
* machine tool orders
* exports

This is quite an impressive list since most of these indicators are "forecasters" predicting the probable trends in the future. On the other hand, "forecast indicators" on employment are not encouraging:
* unemployment claims are up
* help-wanted advertising is down
* number of people planned to be laid off by large and medium-size firms is up
* average work-week in factories is flat

Reasons for the dire predictions of the situation in labor markets are known though not debated too much in this pre-election time:
* cuts in defense spending
* structural changes undergoing in the U.S. industries
* cost cutting in firms--the attitude of firms to lay-off has been changed: employment lay-offs, NOW, are not necessarily considered a sign of weakness

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GDP $87 bil.	Index of ind. prod. 1987=100	Unem-ploy ment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1991*	4848.3	107.1	6.76	78.2	1.016	8.7
1992:1*	4990.9	105.6	7.29	78.6	1.072	8.7
2	5001.2	108.1	7.61	78.8	1.106	8.9
3	5021.1	110.1	7.75	79.6	1.148	9.2
4	5046.3	112.2	7.68	81.0	1.146	9.3
YEAR	5014.9	109.0	7.58	79.5	1.118	9.0
% change from '91	3.4	1.8	12.2	1.7	10.0	3.7
1993:1	5060.1	113.5	7.34	82.1	1.141	9.6
2	5093.3	114.0	7.13	83.2	1.229	9.8
3	5128.7	115.0	6.80	83.6	1.226	10.0
4	5156.8	115.8	6.62	84.0	1.209	9.9
YEAR	5109.7	114.6	6.97	83.2	1.201	9.8
% change from '92	1.9	5.1	-8.0	4.7	7.5	8.9
1994:1	5183.2	117.0	6.54	84.2	1.192	9.8
2	5209.1	118.1	6.62	84.5	1.250	9.9
3	5235.7	118.8	6.19	83.5	1.301	10.1
4	5273.9	119.7	6.08	84.7	1.264	10.1
YEAR	5225.5	118.4	6.36	84.2	1.252	10.0
% change from '93	2.3	3.3	-8.8	1.2	4.2	1.5

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

FORECAST DATA OF CONSUMER SPENDING THIS YEAR CALL FOR MODERATE CONTINUOUS INCREASES IN SPENDING ON NONDURABLES, SOMEWHAT FASTER SPENDING ON DURABLES, AND CONTINUING FAST GROWTH IN SPENDING ON SERVICES.

Data reveal the main factors contributing to the expected moderate growth of consumer expenditures:
(a) Slow growth of income due to relatively high unemployment, and, therefore, slow growth of the wage-component of income
(b) Flattening of income from interest-bearing assets due to low interest rates, which will continue affecting large numbers of the population in the foreseeable future
(c) Preferences of population in paying off their debts rather than piling up new ones--this trend is expected to continue for as long as the unemployment rate remains high and employment uncertainties persist.

Taken together this results in the forecast of moderate, but in no way spectacular upward movement in income and, therefore, only moderate gains in consumer expenditures.

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+ 1.70%	Retail Sales Nondurable
+ 1.21%	Pers. Con. Expend. Services
0.00%	Pers. Con. Expend. Durable
0.00%	Pers. Con. Expend. Nondurable
- .06%	Retail Sales Total
- .10%	Retail Sales Durable

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*--Personal Cons. Expend.-*			*------Retail Sales-------*		
	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1991*	447.3	1256.8	2207.2	1828.3	681.2	1147.1
1992:1	465.7	1272.7	2282.2	2018.6	709.4	1309.2
2	478.2	1294.0	2445.6	2030.1	724.2	1305.9
3	489.8	1325.3	2461.4	2007.1	759.6	1247.5
4	510.7	1346.2	2501.5	2049.0	785.1	1263.9
YEAR	486.1	1309.5	2422.7	2026.2	744.6	1281.6
% change from '91	8.7	4.2	9.8	10.8	9.3	11.7
1993:1	523.0	1372.1	2446.4	2125.1	778.0	1347.1
2	528.0	1384.5	2536.1	2179.3	809.8	1186.5
3	532.4	1392.4	2645.5	2231.7	824.2	1407.5
4	547.6	1398.4	2702.1	2297.2	840.1	1457.1
YEAR	532.8	1386.8	2582.5	2208.3	813.0	1349.5
% change from '92	9.6	5.9	6.6	9.0	9.2	5.3
1994:1	558.2	1413.5	2710.6	2335.2	872.2	1463.0
2	570.1	1428.5	2725.9	2377.1	892.3	1484.8
3	590.0	1447.4	2772.7	2394.0	896.9	1497.1
4	610.3	1465.2	2848.9	2422.5	901.3	1521.2
YEAR	582.1	1438.7	2764.5	2382.2	890.7	1491.5
% change from '93	9.3	3.7	7.0	7.9	9.6	10.5

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

**1992
FORECAST
DATA**

Percent Change from July 1992 Forecast

+ 3.42%	Net Exports
+ .69%	GDP
+ .49%	Pers. Cons. Expend.
+ .19%	Gross Private Dom. Invest.
0.00%	State Local Purch.
0.00%	Federal Govt. Purch.

FORECAST DATA FOR REAL GDP POINT TO SOME ACCELERATION IN GROWTH IN THE SECOND HALF OF THIS YEAR WHEN COMPARED TO THE EXPECTED GROWTH IN THE SECOND QUARTER.
Factors expected to be major contributors to the expansion of the economy in the second half of the year are:

* Business capital outlays on machinery and equipment are expected to regain some vigor. Compared to the expected growth of 1.8% in constant 1987 dollars in the first half of this year, forecast calls for 2.9% growth in the second half. Outlays on new plants are expected to be almost flat.

* Residential construction is predicted to be the second major force propelling the economy in the second half of this year, mainly construction of single-family housing. Expected growth rates, in constant 1987 dollars: first half of this year: 3.1%, second half: 3.9%.

* Increase in business inventories. Major increases are expected in the manufacturing segment of the economy and retail: 1.3% in the first half, and 1.7% in the second half in constant 1987 dollars

* Exports of manufacturing and agricultural products: 2.3% and 3.2% in respective first and second halves of the year, in constant 1987 dollars.

TABLE 1.13
REAL GDP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross Domestic Product					
	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1991*	4848.3	3272.2	674.0	-21.3	370.7	552.7
1992:1*	4990.9	3401.3	679.7	-20.1	371.7	558.3
2	5001.2	3390.6	699.9	-23.3	374.4	559.6
3	5021.1	3393.3	715.2	-26.7	378.1	561.2
4	5046.3	3400.6	732.7	-29.6	380.2	562.4
YEAR	5014.9	3379.1	706.9	-24.9	376.1	560.4
% change from '91	3.4	3.3	4.9	17.0	1.5	1.4
1993:1	5060.1	3411.7	735.1	-31.4	381.0	563.7
2	5093.3	3433.8	745.0	-32.7	382.2	565.0
3	5128.7	3461.3	751.8	-35.1	382.7	568.0
4	5156.8	3480.3	760.3	-36.4	383.0	569.6
YEAR	5109.7	3429.4	748.0	-33.9	382.2	566.6
% change from '92	1.9	1.5	5.8	36.0	1.6	1.1
1994:1	5183.2	3485.2	779.0	-37.1	384.1	572.0
2	5209.1	3501.4	785.3	-36.4	385.0	573.8
3	5235.7	3517.2	794.2	-38.2	388.3	574.2
4	5273.9	3547.3	798.9	-37.7	389.7	575.7
YEAR	5225.5	3512.8	789.4	-37.4	386.8	573.9
% change from '93	2.3	2.4	5.5	10.2	1.2	1.3

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+ 1.12%	Federal Govt. Purch.
+ .08%	State Local Purch.
+ .06%	Producer Price Index
+ .04%	Consumer Price Index
- .23%	GDP
- .32%	Pers. Cons. Expend.

NO SIGNIFICANT CHANGES IN EXPECTED DEVELOPMENTS IN PRICE LEVELS ARE CONTAINED IN THIS FORECAST COMPARED TO DATA PRESENTED IN THE JULY ISSUE OF THIS SURVEY.

At the wholesale and retail price levels, prices of agricultural and food products are expected to keep increasing only marginally due to strong supplies from good harvest in main producing areas and stable supplies of fruits and vegetables. International prices of oil will also be increasing only marginally due to expected excess supplies from major oil producing countries.

Forecast data do not point to any excessive upward pressure on prices to emerge in the second half of this year and in 1993. The only exception are prices of health and health-related services.

Forecast data of prices charged by hospitals for in- and out-patient services show continuous upward trends. This year the expected hike is to be 7.3% over the last year, and an additional 6.5% in 1993 over this year.

TABLE 1.21
PRICES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1991*	136.5	121.9	117.2	119.7	115.5	116.4
1992:1*	137.9	123.1	118.8	121.4	118.5	117.4
2	139.5	123.6	121.0	124.4	119.2	119.1
3	140.7	125.2	122.4	126.0	119.9	120.8
4	142.9	125.6	122.7	128.2	120.9	121.9
YEAR	140.2	124.4	121.2	125.0	119.6	119.8
% change from '91	2.7	2.0	3.4	4.4	3.6	2.9
1993:1	143.1	126.7	123.5	127.3	121.0	122.4
2	144.0	127.8	125.0	129.6	121.9	123.0
3	145.3	129.0	126.9	132.0	123.0	124.2
4	146.0	131.4	128.0	133.6	123.8	125.8
YEAR	144.6	128.7	125.8	130.6	122.4	123.8
% change from '92	3.1	3.5	3.8	4.5	2.3	3.4
1994:1	147.0	132.6	128.5	134.3	125.0	127.1
2	148.4	134.0	129.2	134.9	126.1	128.4
3	149.8	135.7	130.8	136.8	127.2	130.1
4	151.6	137.0	132.6	138.8	128.6	131.6
YEAR	149.2	134.8	130.3	136.2	126.7	129.3
% change from '93	3.2	4.7	3.5	4.3	3.5	4.4

---

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+ .68%	Pers. Cons. Expend.
+ .49%	GDP
+ .45%	Net Exports
+ .08%	Gross Private Dom. Invest.
+ .04%	Federal Govt. Purch.
+ .01%	State Local Purch.

FORECASTED TRENDS OF NOMINAL GDP AND COMPONENTS ARE COMMENSURATE TO TRENDS EXPECTED TO BE EXPERIENCED BY THEIR CONSTANT DOLLARS ANALOGUES:

Fastest growing components:

* nonresidential investment in machinery and equipment
* residential investment
* increases in inventories in manufacturing and retail
* exports

A more significant difference in expected trends when compared to those in real terms will take place in net exports. Compared to the quarterly data series of nominal and real net exports, data in nominal terms are more favorable than those in real terms since the export prices are expected to grow faster than prices of imported commodities.

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross Domestic Product					
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	5682.2	3914.7	727.0	-31.0	428.2	643.3
1992:1*	5929.2	4128.8	728.4	-24.1	440.6	655.4
2	6051.5	4217.8	749.4	-28.5	446.3	666.5
3	6145.8	4276.5	767.2	-29.1	453.3	677.9
4	6191.8	4358.4	784.7	-30.8	432.0	647.5
YEAR	6079.6	4245.4	757.4	-28.1	443.1	661.8
% change from '91	7.0	8.4	4.2	-9.3	3.5	2.9
1993:1	6249.2	4341.5	789.6	-32.9	461.0	690.0
2	6366.6	4448.6	791.0	-33.8	465.9	695.0
3	6508.3	4570.3	797.2	-35.4	470.7	705.5
4	6600.7	4648.1	800.1	-38.2	474.2	716.6
YEAR	6431.2	4502.1	794.5	-35.1	467.9	701.7
% change from '92	5.8	6.0	4.9	24.7	5.6	6.0
1994:1	6660.4	4682.3	810.2	-39.2	480.1	727.0
2	6730.2	4724.5	821.5	-38.1	485.5	736.8
3	6848.3	4810.1	836.4	-39.2	493.9	747.0
4	6993.2	4924.4	845.1	-35.1	501.2	757.6
YEAR	6808.0	4785.3	828.3	-37.9	490.2	742.1
% change from '93	5.9	6.3	4.3	8.1	4.7	5.8

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+ .03%	Unemployment
+ .01%	Population
0.00%	Civilian Labor Force
0.00%	Agriculture
- .09%	Total Employed
- .09%	Nonagriculture

DATA ARE NOT ENCOURAGING!

The main factors causing a relatively high unemployment rate to prevail in the foreseeable future are:

* the expected slowing down in hiring of new labor in the education and other public services

* expected continuing cost cutting measures in manufacturing, construction and mining firms, and

* slow growth in capacity of the health care and health care-related industries mainly due to ever-increasing costs in this segment.

KEDI's long term forecast calls for some improvements in the number of employed persons to take place late in 1993 and in 1994.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

			-------Employment-------			
INDICATOR	Population	Civil. labor force	Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1991*	263.9	125.7	116.9	3.2	113.7	6.76
1992:1	266.0	127.1	117.8	3.2	114.6	7.29
2	266.4	127.4P	117.7P	3.2P	114.5P	7.61
3	267.0	127.5	117.6	3.2	114.4	7.75
4	267.9	128.8	118.9	3.2	115.7	7.68
YEAR	266.8	127.7	118.6	3.2	115.4	7.58
% change from '91	1.1	1.6	1.5	0.0	1.5	12.2
1993:1	269.8	128.9	119.4	3.2	116.2	7.34
2	270.3	130.0	120.7	3.2	117.5	7.13
3	271.2	130.7	121.8	3.2	118.6	6.80
4	272.1	131.5	122.8	3.2	119.6	6.62
YEAR	270.9	130.3	121.2	3.2	118.0	6.97
% change from '92	1.5	2.0	2.2	0.0	2.3	-8.0
1994:1	271.9	131.4	122.8	3.2	119.6	6.54
2	273.0	132.5	123.7	3.2	120.5	6.62
3	274.0	133.8	125.5	3.2	122.3	6.19
4	274.8	134.9	126.7	3.2	123.5	6.08
YEAR	273.4	133.2	124.7	3.2	121.5	6.36
% change from '93	1.0	2.2	2.4	0.0	3.0	-8.82

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+ .78%	Permits issued
+ .04%	1-family housing existing
+ .02%	1-family housing new
- .13%	Single family housing starts
- .99%	Mobile home shipments
- 1.07%	Multiple family housing starts

FORECAST DATA INDICATE THAT SINGLE-FAMILY HOUSING WILL CONTINUE TO BE A FACTOR PROPELLING THE RECOVERY.

Data for the second half of this year point to a continuous growth in this segment extended to 1993 and afterward. The expected data of single-family housing starts for the second quarter of this year will not be as strong when compared to those in the first quarter of this year. The first quarter was extraordinarly strong due mostly to mild weather, low mortgage rates and accumulated demand. These factors have not repeated in the second quarter.

Forecast data for the third and fourth quarters show the renewed vigor of this segment, however.

The outlook for multifamialy housing is not as rosy. Data show that this segment is out of the worst but the recovery will proceed very slowly. More optimistic data in this segment are for the second half of 1993 and 1994 when the inventory of unsold apartments is expected to decline to a more normal level.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1991*	.846	.170	.163	.941	150.7	129.4
1992:1*	.930	.142	.161	.971	150.4	134.3
2	.952	.154	.181	.978	154.2	138.3
3	.967	.181	.190	.994	160.4	141.5
4	.946	.200	.165	1.052	165.9	142.9
YEAR	.949	.169	.174	.999	157.7	139.2
% change from '91	12.1	-.5	6.9	6.1	4.7	7.6
1993:1	.940	.201	.180	.970	167.7	144.9
2	.992	.237	.191	.994	170.5	147.8
3	.974	.252	.200	1.051	174.3	148.7
4	.979	.230	.187	.978	179.7	151.2
YEAR	.971	.230	.190	.998	173.1	148.2
% change from '92	2.4	36.0	8.8	-.1	9.7	6.4
1994:1	.952	.240	.198	.982	180.3	153.6
2	.982	.268	.201	.989	183.2	155.7
3	1.013	.288	.216	1.068	186.7	156.4
4	.980	.284	.204	.995	189.1	158.9
YEAR	.982	.270	.205	1.008	184.8	156.2
% change from '93	1.1	17.4	8.0	1.0	6.8	5.4

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+ 4.55%	Imported car Sales
0.00%	Dealer Inventory
- .82%	Total Car Sales
- 1.10%	Domestic Car Sales
- 1.10%	Shipments
- 3.85%	Light Truck Sales

RECENTLY RELEASED DATA ON FACTORY SHIPMENTS OF CARS ARE ENCOURAGING AND CONFIRM THE FORECAST TREND.

Data indicate that this year car sales will be above last year's sales by approximately 4%. Data for 1993 show an additional significant gain: 8.5% over this year. Data for 1994 is less optimistic: only a 1.3% gain over 1993.

Forecast of sales of imported cars indicates their declining share on total sales this year and next year as well. In 1994 sales of foreign cars are expected to regain some ground.

Forecast data reiterate positive trends in sales of vehicles in the category of light-duty trucks. Sales are expected to increase by around 10% this year, and by an additional 4% in each of the years that follow.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1991*	8.7	6.1	2.6	1.5	6.1	3.4
1992:1	8.7	6.5	2.2	1.3	6.3	3.6
2	8.9	6.6	2.3	1.4	6.6	3.6
3	9.2	6.9	2.3	1.5	6.9	3.9
4	9.3	6.9	2.4	1.6	7.1	3.9
YEAR	9.0	6.7	2.3	1.6	6.7	3.8
% change from '91	3.7	10.2	-11.5	6.7	10.2	10.3
1993:1	9.6	7.3	2.3	1.5	7.1	3.8
2	9.8	7.5	2.3	1.6	7.3	3.9
3	10.0	7.6	2.4	1.7	7.5	4.2
4	9.9	7.6	2.3	1.6	7.2	4.3
YEAR	9.8	7.5	2.3	1.6	7.3	4.0
% change from '92	8.9	7.8	1.1	0.0	8.2	8.0
1994:1	9.8	7.4	2.4	1.7	7.2	3.9
2	9.9	7.5	2.4	1.7	7.5	4.0
3	10.1	7.8	2.3	1.8	7.4	4.1
4	10.1	7.8	2.3	1.8	7.6	4.2
YEAR	10.0	7.6	2.3	1.8	7.4	4.0
% change from '93	1.5	.5	1.1	12.5	2.1	0.0

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+	.24%	State Surplus Deficit
+	.18%	State Income Tax
+	.12%	Federal Surplus Deficit
+	.02%	Corporate Profit Tax
+	.10%	Federal Income Tax
-	.95%	State Corp. Tax Accrued

COMPARED TO THE JULY FORECAST, DATA ON THE EXPECTED FEDERAL BUDGET DEFICITS HAS BEEN FURTHER INCREASED MAINLY DUE TO THE UPWARD REVISION IN THE MEDICARE AND MEDICAID EXPECTED EXPENDITURES.

Data shows convincingly that a balanced or near-balanced Federal budget is not in sight in the foreseeable future. The major assumption incorporated into the Federal budget forecasts are: no major increases in taxes, approximate $10-15 bil. annual cuts in defense expenditures, and essentially unchanged conditions in the growth of the number of recipients of entitlement moneys.

Forecast data on State and local governments budgets and taxation are more favorable. In totals for all levels of governmental units, data point to gradual improvements taking place this year and the years that follow.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	FEDERAL Income taxes	FEDERAL Corp. profits tax accru.	FEDERAL Surplus /deficit	STATE AND LOCAL Income taxes	STATE AND LOCAL Corp. profits tax accru.	STATE AND LOCAL Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	504.1	97.1	-218.2	223.4	22.3	38.7
1992:1	518.9P	101.4P	-229.2	228.2P	25.4P	40.2P
2	526.9	105.5	-236.2	234.9	25.6	40.9
3	546.2	108.9	-239.9	241.2	26.1	41.8
4	560.7	114.7	-243.4	247.8	27.1	42.3
YEAR	538.2	107.6	-237.2	238.0	26.1	41.3
% change from '91	6.8	10.8	8.7	6.5	16.8	6.7
1993:1	579.8	119.0	-240.6	248.4	28.0	43.1
2	583.1	122.0	-227.3	256.9	28.4	44.2
3	600.3	124.1	-219.5	265.3	29.3	45.7
4	610.2	126.7	-203.1	273.7	30.7	47.0
YEAR	593.4	123.0	-222.6	261.1	29.1	45.0
% change from '92	10.3	14.2	-6.1	9.7	11.7	9.0
1994:1	626.2	130.2	-209.8	278.7	31.4	47.5
2	641.3	133.8	-203.3	285.1	32.5	48.1
3	658.2	135.3	-198.7	291.3	34.0	50.3
4	676.4	140.1	-189.7	295.6	35.7	52.0
YEAR	650.5	134.8	-200.4	287.7	33.4	49.5
% change from '93	9.6	9.7	-10.0	10.2	14.8	9.9

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992 FORECAST DATA

Percent Change from July 1992 Forecast

+ .66%	Personal Disp. income
+ .56%	Personal Income
+ .08%	Corporate after tax profit
+ .12%	Personal Savings
+ .02%	Average Weekly earnings
0.00%	Comp. of employees

DATA ON PERSONAL INCOME AND COMPONENTS ARE COMMENSURATE TO THE PECULIAR TYPE OF RECOVERY EXPERIENCED CURRENTLY AND EXPECTED TO CONTINUE IN THE REST OF THIS YEAR AND IN 1993.

Main factors expected to exert a dampening impact on the growth of personal income are the following:

* high unemployment which slows down the growth of "compensation of employees," the main component of personal income and also slows down the increases in average wages and salaries

* low interest rates which cause the leveling off of income from CDs and other investments of that type

* expected declines in the total amount of farm subsidies in 1993, and

* slowing down in hiring new employees in the Federal and State and Local sector, notably in the education area

Contrary to that, forecast data on income of the business sector shows a continuous strength in the majority of industries will prevail in the rest of this year and afterward.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1991*	4843.7	4218.5	3387.7	188.6	222.1	459.1
1992:1	5090.5	4343.4	3604.1	204.9	214.6	468.4
2	5203.0	4441.2	3638.2	210.8	223.4	474.2
3	5286.6	4499.2	3720.0	214.3	222.7	477.7
4	5394.5	4586.0	3730.2	219.9	227.6	484.9
YEAR	5243.6	4467.4	3673.1	212.5	222.1	476.3
% change from '91	8.3	5.9	8.4	12.7	-.0	3.7
1993:1	5612.9	4784.7	3857.4	223.4	229.0	487.8
2	5740.6	4900.6	3979.7	226.4	234.7	493.7
3	5896.6	5031.0	4039.5	229.8	239.2	496.3
4	6006.2	5122.3	4138.6	235.7	247.8	501.4
YEAR	5814.1	4959.7	4003.8	228.8	237.7	494.8
% change from '92	10.9	11.0	9.0	7.7	7.0	3.9
1994:1	6065.3	5160.4	4193.4	238.2	246.5	503.1
2	6137.7	5211.3	4285.1	240.9	250.3	504.7
3	6254.0	5304.5	4385.6	243.5	252.6	507.2
4	6401.0	5429.0	4496.7	247.3	257.1	510.8
YEAR	6214.5	5276.3	4340.2	242.5	251.6	506.4
% change from '93	6.9	6.4	8.4	6.0	5.9	2.4

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

SO FAR, MONEY SUPPLY M1 HAS BEEN GROWING AT A VERY FAST RATE, APPROACHING THE 10-15% GROWTH RATES OF SOME YEARS IN THE 1980s WHILE MONEY SUPPLY M2 HAS REMAINED ALMOST FLAT.

The major factors causing these unprecedented developments are low interest rates: owners of CDs and similar investments are switching and will continue doing so, to other kinds of investments with higher yields, notable to bonds, stocks, money market funds, and some other kinds of securities. Therefore, the growth of M2 is marginal only since CDs and similar types are leaving it which erodes its base. Fast growth of M1 does not have much of a direct stimulative impact on the growth of the economy; a similar way as in the mid-80s; it ultimately ends rather in the stock and bonds markets and overseas rather than in the domestic economy.

Forecast data call for a continuing fast growth of money supply M1, and very slow growth of money supply M2, in the second half of this year and in 1993.

It is anticipated that Federal Reserve will not adopt a more strigent attitude toward the growth of M1 by attempting to restrict this kind of money supply. It is also anticipated that no measures will be adopted to stimulate the growth of money supply M2 since the Federal Reserve cannot do too much in this area, except to increase interest rates significantly which is highly unlikely.

1992
FORECAST
DATA

Percent Change
from
July 1992
Forecast

+ .06%	Currency and demand deposits
- .07%	Mortgages at all holders
- .28%	Large denom. time deposits
- .57%	Commercial install loans
- .68%	Consumer install. credit
- 7.21%	Time deposits

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2, s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	895.4	3408.4	729.4	582.3	529.8	4048.8
1992:1	917.3P	3451.2P	728.4P	584.3P	527.1P	4064.3P
2	931.9	3468.0	720.4	586.0	527.0	4154.7
3	949.6	3484.0	730.0	588.0	528.3	4216.2
4	937.9	3570.2	733.0	591.2	528.7	4227.1
YEAR	934.2	3493.3	733.0	591.2	528.7	4227.1
% change from '91	4.3	2.5	.5	5.3	-.2	4.4
1993:1	977.8	3578.2	736.1	595.2	530.1	4260.3
2	990.0	3610.0	744.2	598.0	532.0	4308.5
3	995.4	3690.2	753.0	601.9	534.5	4373.2
4	1009.0	3770.2	768.6	609.7	538.1	4413.6
YEAR	993.0	3662.1	772.6	611.7	542.1	4423.6
% change from '92	6.3	4.8	5.4	3.5	2.5	4.6
1994:1	1010.1	3813.0	782.1	613.4	542.5	4460.1
2	1021.2	3873.4	793.1	617.1	547.3	4500.1
3	1030.4	3946.7	812.9	619.7	553.1	4568.2
4	1051.7	4025.3	830.1	620.6	560.2	4640.1
YEAR	1028.4	3914.6	830.1	620.6	560.2	4640.1
% change from '93	3.6	6.9	7.4	1.5	3.3	4.9

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*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1992 FORECAST DATA

Percent Change from July 1992 Forecast

+ .91%	30 year govt. bond yield
+ .15%	Conv. mortg rate
+ .07%	Treasury bills 3 mo. yield
0.00%	S & P's 500 avg.
- .16%	Prime rate
- .33%	Aaa corp. bonds

WITH REGARD TO THE FEDERAL RESERVE POLICY, ONE THING IS CERTAIN: THERE WILL BE NO MORE SIGNIFICANT RATE REDUCTIONS IN FEDERAL FUNDS AND DISCOUNT LOANS.

This is true simply because there is little remaining to be cut from.

Forecast data indicate that the regime of excessively low interest rates is not likely to be of long duration. Data indicate that the upward trend in short-term interest rates will resume approximately toward the end of this year. Interest rates increases are expected to be marginal. They will be persistently going up, however.

Long term yields are predicted to stay almost flat for the rest of this year and in 1993. Some slight declines are predicted in consumer credit, notably on credit cards and non-installment credit.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR Unit	Treas. bills 3 mo. yield %	Prime rate %	Conv. mortg rate %	Aaa corp. bond rate %	30 yr. Govt. bonds yield %	S & P's 500 Avg 1941-43 = 10
Year & Qtr.						
1991*	5.42	8.31	9.02	8.77	8.14	376.20
1992:1*	3.79	6.45	8.61	8.24	7.79	413.00
2	3.80	6.28	8.45	8.28	7.59	416.06
3	3.28	6.00	8.41	8.34	7.77	417.49
4	3.34	6.07	8.50	8.39	7.82	419.82
YEAR	3.55	6.20	8.49	8.31	7.74	416.59
% change from '91	-34.5	-25.4	-5.8	-5.2	-4.9	10.7
1993:1	3.62	6.21	8.62	8.57	7.86	419.81
2	3.74	6.32	8.83	8.74	7.89	421.53
3	4.09	6.51	9.03	9.01	7.94	424.86
4	4.58	6.72	9.15	9.26	8.01	430.27
YEAR	4.01	6.44	8.91	8.89	7.92	424.12
% change from '92	12.8	3.9	4.9	7.0	2.4	1.8
1994:1	5.09	6.84	9.27	9.31	8.11	432.37
2	5.18	7.19	9.30	9.45	8.16	430.26
3	5.43	7.56	9.69	9.57	8.19	428.19
4	5.59	7.76	9.87	9.54	8.27	439.41
YEAR	5.32	7.34	9.53	9.47	8.18	432.56
% change from '93	32.8	13.9	7.0	6.4	3.2	2.0

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this Money Supply M1 has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from monthly figures published in Survey of Current Business (U. S. Department of Commerce), blue pages.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Money Supply M1 (bil. $, seas. adj.)
Actual figure: 872.8

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	861.9	+ 1.3
Manufacturers Hanover Trust, NY	12/90	847.0	+ 3.0
Valley National Bank, AR	11/90	855.0	+ 2.1
Metropolitan Life, NY	12/90	853.0	+ 2.2
K.E.D.I., Inc, OH	12/90	853.7	+ 2.2
Fidelity Bank, PA	12/90	872.0	+ .1
Society Bank, OH	12/90	855.0	+ 2.1
Fleet National Bank, RI	12/90	850.1	+ 2.7
John Hancock, MA	12/90	885.0	+ 2.1
Shearson-Lehman, NY	12/90	851.0	+ 2.8

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth	Gross domestic product, 1987 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.12 Consumer Spending and Retail Sales	Personal cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.13 Real GDP	Gross domestic product, 1987 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GDP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GDP	Gross domestic product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

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1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
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	Corporate profit tax accruals	SCG, Table 3.3
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1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KENT ECONOMIC
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KEDI ECONOMIC SURVEY

September 1992

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SOURCES:

The U. S. Department of Commerce second quarter 1992 second estimates of Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, August 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

The economy will expand slowly averaging 1.0-2.0% for the rest of this year and into 1993.

Prices

The outlook for international markets suggests that prices will remain calm with no upward presssures on domestic price levels.

Employment & Labor

The latest forecast data repeatedly suggest that the unemployment rate will remain uncomfortably high in the foreseeable future.

Housing

After recent decreases, mortgage rates will stabilize for the rest of this year with marginal increases in 1993.

Automobiles

Look for a strong market throughout this year and in 1993 for light-duty trucks, vans, jeeps, and recreational vans.

Budgets

The Federal Budget Deficit is out of control and will remain in a deplorable state into the near future.

Income

Data on income generated by business sector of the economy is optimistic.

Money & Credit

Consumer credit will resume the upward trend throughout this year and the first half of 1993 with loans outpacing repayments.

Interest Rates, Yields & Securities Prices

Short-term interest rates will remain at current levels through most of the remainder of this year with an upward trend starting early in 1994 continuing into 1995.

0.02 ASSUMPTIONS

		Update
1.	In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2.	Monetary and credit policies are expected to tighten to the end of 1992 and afterward.	July 1992
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the September 1992 KEDI forecast.	
*	Growth will accelerate in the second half of 1992.	January 1992
*	The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	Toward the end of 1992 and in 1993, interest rates will be increasing.	June 1992
*	Federal budget deficits will keep declining in 1994 and the following years.	September 1992
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1992, 1993 and 1994 are on pages indicated below.

Indicator	Unit	1991	1995	1996	1997
Gross domestic	bil. 87$	4884.9	5268.1	5420.9	5588.9
product, p. 5	% change	-.7	2.9	2.9	3.1
Index of indust.	1987=100	107.2	122.1	125.9	129.9
prod., p. 5	% change	-1.8	2.6	3.1	3.2
Capacity	%	78.2	84.4	84.6	84.5
utiliz., p. 5	% change	-5.0	.2	.3	-.2
Unemployment	%	6.9	6.4	6.3	1.2
rate, p. 5	% change	6.8	.1	-.3	-.4
Private housing	mil.units	1.6	1.3	1.3	1.3
starts, p. 5	% change	-15.0	4.1	-.2	.4
Car sales,	mil.units	8.7	10.3	10.6	11.2
p. 5	% change	-8.8	3.2	2.8	6.0
Implicit GDP	1987=100	117.2	134.7	139.6	144.2
price def.,p.11	% change	3.8	3.8	3.7	3.3
Consumer Price	82-84=100	135.6	154.7	160.3	166.4
Index, p. 11	% change	3.7	3.7	3.6	3.8
Prod.Price Index	1982=100	121.9	140.3	145.9	151.6
(fin.goods),p.11	% change	1.8	4.9	4.0	3.9
Federal Deficit	bil. $	-181.5	-191.5	-167.3	-147.8
p. 21	% change	9.3	-10.4	-12.6	-11.7
Personal Income	bil. $	4843.7	6559.3	7057.8	7636.6
p. 23	% change	3.8	7.8	7.6	8.2
Prime Rate	%	8.3	7.2	7.8	8.4
p. 27	% change	-17.0	1.4	7.0	8.0
Mortgage Rate	%	9.0	10.0	10.3	10.1
p. 27	% change	-7.3	5.0	2.7	-1.8
Currency+demand	bil. $	895.4	1097.1	1134.4	1179.7
deposits , p. 25	% change	13.6	5.0	3.4	4.0
Commercial+ind.	bil. $	582.3	598.0	615.4	629.5
loans, p. 25	% change	3.2	2.7	2.9	2.3
Raw steel	mil.sh.tons	87.6	87.0	88.0	89.9
production	% change	-3.4	-.7	1.2	2.1
Electric power	mil.kw-hr	3192	3294.1	3416.0	3528.8
production	% change	2.9	3.2	3.7	3.3
Bituminous coal	mil.sh.tons	941	948.5	951.4	961.8
production	% change	.3	.8	.3	1.1
Crude oil	avg. daily bbl.	2902	2899.1	2873.0	2896.0
output	% change	-.5	-.1	-.9	.8
Retail sales	bil. $	1834.5	2568.1	2750.4	2951.2
p. 7	% change	1.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+ 1.40%	Private housing starts
- .26%	Unemployment
- .28%	Autos
- .28%	Capacity Util.
- .48%	Index Industrial Prod.
- 2.13%	GDP

THE ECONOMY WILL EXPAND SLOWLY AVERAGING 1.0-2.0% FOR THE REST OF THIS YEAR AND INTO 1993.
Forecast data indicate that current peculiar situation is likely to continue in the months ahead. Data do not point to another recession or flatness. On the other hand, the unemployment rate is predicted to remain stubbornly high and will decline marginally.

Forecast data reveal the two main reasons for the paradox of increasing output and high level of unemployment: cuts in Federal budget expenditures on defense and the restructuring of companies in their policy on employment. Declining defense orders have already caused massive layoffs in defense and defense-related industries and will continue to do so in the future as long as defense budgets are substantially reduced. The "peace dividend" is certainly desirable but it will take many years before any benefits can be realized. Until then, the economy has to pay the price for it.

The second reason is based on the changing approach that companies are taking in their policy on employment. Laying off employees does not necessarily mean a weakness, but it may be a sign of efforts to increase efficiency and profits by reducing costs.

Data indicate that the current lackluster performance of the economy as a whole is expected to start improving around the second quarter of 1993 with continuous growth afterward.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GDP	Index of ind. prod.	Unemployment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$87 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1991*	4821.0	107.1	6.76	78.2	1.016	8.7
1992:1*	4873.7	105.6	7.29	78.6	1.072	8.7
2	4891.0P	108.0	7.61	78.8	1.106	8.9
3	4918.7	109.3	7.74	79.0	1.147	9.1
4	4948.3	111.0	7.68	80.7	1.137	9.2
YEAR	4907.9	108.5	7.58	79.3	1.115	9.0
% change from '91	1.8	1.3	12.1	1.4	9.8	3.2
1993:1	4970.1	112.5	7.44	82.0	1.130	9.5
2	4998.5	113.4	7.35	82.8	1.197	9.8
3	5023.7	114.6	6.82	83.2	1.196	9.9
4	5050.8	115.6	6.62	84.0	1.172	9.8
YEAR	5010.8	114.0	7.06	83.0	1.174	9.8
% change from '92	2.1	5.1	-6.9	4.7	5.2	8.6
1994:1	5076.2	117.2	6.58	84.2	1.182	9.8
2	5100.4	118.4	6.62	84.5	1.250	9.9
3	5135.0	119.8	6.19	83.5	1.298	10.0
4	5166.9	120.5	6.08	84.7	1.264	10.1
YEAR	5119.6	119.0	6.37	84.2	1.248	9.9
% change from '93	2.2	4.3	-9.8	1.5	6.4	2.1

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

IN THE SECOND HALF OF THIS YEAR RETAIL SALES ARE EXPECTED TO GROW AVERAGING .1-.2% MONTHLY.

No significant deviations in upward or downward direction are predicted. Next year is predicted to be more successful, though not spectacular for retailers.

Factors underlying the forecast of modest rates of growth of retail sales are the following:
1. Slow growth of consumer spending due to modest increases in income expected to persist in the rest of this year and in 1993. The main reason for the expected slow growth in income is relatively high unemployment which will continue persisting in the foreseeable future.
2. Consumers' purchasing power is also expected to be kept down due to a modest growth and sometimes flatness in proceeds from interest on personal savings, especially those in saving accounts and CDs due to interest rates which will continue to be low this year and 1993.

Forecast data on retail sales of durables indicate they will be increasing moderately in its motor vehicles segment, a bit faster than sales of household durables.

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

- .38%	Retail Sales Nondurable
- .44%	Retail Sales Total
- .56%	Retail Sales Durable
- 1.05%	Pers. Con. Expend. Nondurable
- 2.30%	Pers. Con. Expend. Durable
- 3.29%	Pers. Con. Expend. Services

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1991*	446.1	1251.5	2161.5	1828.3	681.2	1147.1
1992:1*	469.4	1274.1	2224.1	2018.6	709.4	1309.2
2	469.5	1277.2	2321.4	2030.4	724.2	1306.2
3	476.4	1305.2	2384.4	1990.1	750.1	1240.0
4	484.3	1326.3	2441.6	2029.8	778.1	1251.7
YEAR	474.9	1295.7	2342.9	2017.2	740.5	1276.8
% change from '91	6.5	3.5	8.4	10.3	8.7	11.3
1993:1	493.6	1352.4	2414.2	2105.2	779.4	1325.8
2	513.2	1364.1	2489.8	2159.4	805.8	1186.5
3	530.1	1381.4	2554.4	2221.1	818.2	1402.9
4	547.1	1378.2	2622.8	2287.2	830.9	1456.3
YEAR	521.0	1369.0	2520.3	2193.2	808.6	1342.9
% change from '92	9.7	5.7	7.6	8.7	9.2	5.2
1994:1	554.3	1403.4	2614.1	2335.4	862.4	1473.0
2	566.2	1418.9	2650.7	2377.1	886.3	1490.8
3	586.1	1437.4	2690.6	2394.0	891.6	1502.4
4	600.3	1455.2	2763.1	2422.5	901.3	1521.2
YEAR	576.7	1428.7	2679.6	2382.2	885.4	1496.8
% change from '93	10.7	4.4	6.3	8.6	9.5	11.5

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+62.65%	Net Exports
+ .39%	State Local Purch.
+ .10%	Gross Private Dom. Invest.
- .94%	Federal Govt. Purch.
- 2.13%	GDP
- 2.17%	Pers. Cons. Expend.

THE TOTAL GDP IN CONSTANT 1987 DOLLARS HAS BEEN RAISED BY AN INSIGNIFICANT $.5 BIL. IN SECOND REVISION OF 1992:2. The second revision of data for GDP and components in the second quarter of this year brought insignificant changes only when compared to the data of the first revision.

Main changes in figures for components took place in the Gross Private Domestic Investment which increased by $10.4 bil. and Net Exports (NE) which deteriorated by $8.8 bil., both figures compared to the first estimate.

The adjustment for GPDI is a positive sign since it shows the higher than previously estimated increase in fixed capital formation and inventories change. It is negative for NE since is shows a deterioration in the proportion of exports and imports and in the relationship between prices of exported and imported commodities.

TABLE 1.13
REAL GDP

Quarterly data are seasonally adjusted at annual rates.

	-----------Gross Domestic Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1991*	4821.0	3240.7	661.1	-21.8	388.3	552.7
1992:1*	4873.7	3289.2	668.9	-21.5	375.3	561.8
2	4891.0	3287.5	712.6	-44.7	373.7	561.9
3	4918.7	3313.7	718.2	-46.5	371.1	562.2
4	4948.3	3332.3	730.7	-49.3	370.2	564.4
YEAR	4907.9	3305.7	707.6	-40.5	372.6	562.6
% change from '91	1.8	2.0	7.0	85.8	-4.0	1.8
1993:1	4970.1	3345.8	735.2	-45.6	369.0	565.7
2	4998.5	3363.9	742.1	-42.8	368.1	567.2
3	5023.7	3378.9	750.8	-45.2	370.3	568.9
4	5050.8	3400.8	757.3	-46.4	369.5	569.6
YEAR	5010.8	3372.3	746.4	-45.0	369.2	567.9
% change from '92	2.1	2.0	5.5	11.1	-.9	.9
1994:1	5076.2	3404.4	778.4	-47.3	368.7	572.0
2	5100.4	3418.4	785.3	-42.4	365.3	573.8
3	5135.0	3441.6	794.2	-39.3	364.3	574.2
4	5166.9	3469.3	798.9	-37.7	360.7	575.7
YEAR	5119.6	3433.4	789.2	-41.7	364.8	573.9
% change from '93	2.2	1.8	5.7	-7.4	-1.2	1.1

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+	.04%	Consumer Price Index
-	.02%	GDP
-	.18%	Producer Price Index
-	.19%	State Local Purch.
-	.21%	Federal Govt. Purch.
-	.41%	Pers. Cons. Expend.

THE OUTLOOK FOR INTERNATIONAL MARKETS SUGGESTS THAT PRICES WILL REMAIN CALM AND WILL NOT CAUSE UPWARD PRESSURES ON THE DOMESTIC PRICE LEVEL.

The August increase of the Producer Price Index for Finished Goods by a mere .1% confirms KEDI's forecast of moderate pace of inflation at the producer price level to continue through this and next year.

Forecast data do not point to the emergence of inflationary pressures in 1992 or 1993. There are no signs of excess demands which would push prices up neither by businesses due to marginal increases in output, nor by consumers due to expected high unemployment which will slow down the growth of income, purchasing power and consumer demand.

Forecast of consumer prices also indicates moderate upward trends will continue in the foreseeable future. Data call for the 2.8% hike in the CPI this year over 1991, and 3.0% in 1993 over this year.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1991*	136.5	121.9	117.2	119.7	115.5	116.4
1992:1*	137.9	123.1	118.8	120.9	118.5	117.4
2*	139.4	123.6	121.0	123.7	119.2	119.1
3	140.8	124.8	122.3	125.7	119.5	120.6
4	142.9	125.2	122.6	127.6	120.2	121.2
YEAR	140.2	124.2	121.2	124.5	119.3	119.6
% change from '91	2.7	1.9	3.4	4.0	3.3	2.7
1993:1	143.1	126.0	123.4	127.3	120.7	122.0
2	144.0	127.1	125.0	129.8	121.4	122.8
3	145.3	128.3	126.7	132.2	122.5	123.7
4	146.0	129.9	127.8	133.7	123.0	124.8
YEAR	144.6	127.8	125.7	130.8	121.9	123.3
% change from '92	3.1	2.9	3.8	5.0	2.1	3.1
1994:1	147.0	131.3	128.0	134.3	124.0	126.0
2	148.4	132.7	129.0	135.6	125.1	127.1
3	149.8	134.9	130.1	137.0	126.2	128.8
4	151.6	136.1	131.8	138.9	127.6	130.6
YEAR	149.2	133.8	129.7	136.4	125.7	128.1
% change from '93	3.2	4.6	3.2	4.3	3.1	3.9

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+17.08%	Net Exports
+ .48%	Gross Private Dom. Invest.
- .27%	State Local Purch.
- .38%	Federal Govt. Purch.
- 2.17%	GDP
- 3.11%	Pers. Cons. Expend.

Recently released data of the second revision of GDP and components in the second quarter of this year show the nominal GDP higher by $5 bil. than previously estimated, an insignificant increase due mainly to a small upward revision in the GDP price deflator.

Analogously to the data in constant 1987 dollars, main changes took place in estimates of Gross Private Domestic Investment (GPDI) and Net Exports (NE). New estimates for GPDI and components show that business and private capital formation and inventories increased more than previously reported--a positive sign, while the estimate for NE shows the opposite: the trade balance was worse than previously reported mainly due to the less favorable price relation of export and import prices and the larger than previously estimated imports.

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross Domestic Product					
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	5650.2	3859.1	721.1	-21.8	448.5	643.3
1992:1*	5790.0	3967.6	722.4	-8.1	444.7	659.6
2	5918.1P	4068.1	771.9	-36.6	445.5	669.2
3	6015.6	4166.0	767.2	-39.1	443.5	678.0
4	6066.6	4252.2	782.7	-47.8	432.0	647.5
YEAR	5947.6	4113.5	761.0	-32.9	441.4	663.6
% change from '91	5.3	6.6	5.5	50.9	-1.6	3.1
1993:1	6133.1	4260.2	789.8	-52.4	445.4	690.2
2	6248.1	4367.1	791.4	-53.8	446.9	696.5
3	6365.0	4465.9	797.2	-55.4	453.6	703.7
4	6454.9	4548.1	800.1	-58.6	454.5	710.9
YEAR	6300.3	4410.3	794.6	-55.0	450.1	700.3
% change from '92	5.9	7.2	4.4	67.3	2.0	5.5
1994:1	6497.5	4571.8	810.2	-62.4	457.2	720.7
2	6579.5	4635.8	821.5	-64.1	457.0	729.3
3	6680.6	4714.1	836.4	-69.2	459.7	739.6
4	6810.0	4818.6	845.1	-65.8	460.3	751.9
YEAR	6641.9	4685.1	828.3	-65.4	458.5	735.4
% change from '93	5.4	6.2	4.2	18.8	1.9	5.0

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+ .02%	Civilian Labor Force
+ .01%	Population
0.00%	Agriculture
0.00%	Unemployment
- .22%	Total Employed
- .23%	Nonagriculture

THE LATEST FORECAST DATA REPEATEDLY SUGGEST THAT THE UNEMPLOYMENT RATE WILL REMAIN UNCOMFORTABLY HIGH IN THE FORSEEABLE FUTURE.

Factors causing unemployment to stay at a high level with only marginal drops in months ahead have been outlined in previous issues of this survey: defense cuts in the Federal budget and cost-saving policies of businesses will continue to demonstrate that significantly more new jobs will not appear anytime soon.

Forecast data indicate that the situation in the job markets will improve more significantly in the second half of 1993.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

			-------Employment-------			
INDICATOR	Population	Civil. labor force	Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1991*	263.9	125.7	116.9	3.2	113.7	6.76
1992:1	266.0	127.1	117.8	3.2	114.6	7.29
2	266.4	127.4P	117.7P	3.2	114.5P	7.61
3	267.0	127.5P	117.6P	3.2	114.4P	7.74
4	267.9	128.9	119.0	3.2	115.8	7.68
YEAR	266.8	127.7	118.3	3.2	115.1	7.58
% change from '91	1.1	1.6	1.5	0.0	1.3	12.1
1993:1	269.8	128.9	119.3	3.2	116.1	7.44
2	270.3	130.0	120.4	3.2	117.2	7.35
3	271.2	130.7	121.8	3.2	118.6	6.82
4	272.1	131.5	122.8	3.2	119.6	6.62
YEAR	270.9	130.3	121.1	3.2	117.9	7.06
% change from '92	1.5	2.0	2.1	0.0	2.4	-6.9
1994:1	271.9	131.4	122.8	3.2	119.6	6.58
2	273.0	132.5	123.7	3.2	120.5	6.62
3	274.0	133.8	125.5	3.2	122.3	6.19
4	274.8	134.9	126.7	3.2	123.5	6.08
YEAR	273.4	133.2	124.7	3.2	121.5	6.37
% change from '93	1.0	2.2	2.4	0.0	3.0	-9.78

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+	.72%	Mobile home shipments
+	.55%	Permits issued
-	.18%	1-family housing new
-	.18%	1-family housing existing
-	.13%	Single family housing starts
-	.78%	Multiple family housing starts

AFTER FALLING IN JULY AND AUGUST, MORTGAGE RATES WILL STABILIZE AT CURRENT LEVELS FOR THE REMAINDER OF THIS YEAR AND WILL RISE ONLY MARGINALLY IN 1993.

In July, sales of existing homes perked up after three months of straight declines but sales of new homes have remained weak.

Forecast data for 1992:3 and 1992:4 point in a positive direction: data show increases in both single- and multi-family segments and in number permits issued.

Even though single-family housing is expected to be in good shape in 1993 and afterwards, the forecast for apartment housing shows the year 1994 to be the year of recovery.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home shipments mil.	Permits authorized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1991*	.846	.170	.163	.941	150.7	129.4
1992:1*	.930	.142	.161	.971	150.4	134.3
2	.952P	.154P	.181P	.978P	154.2P	138.3P
3	.968	.179	.192	.998	160.2	141.0
4	.941	.196	.167	1.071	165.7	142.2
YEAR	.948	.168	.175	1.004	157.6	138.9
% change from '91	12.0	-1.4	7.5	6.7	4.6	7.4
1993:1	.936	.194	.174	.979	167.7	144.1
2	.980	.217	.190	.994	170.5	147.8
3	.974	.222	.200	1.082	174.3	148.7
4	.971	.201	.187	.978	179.7	151.2
YEAR	.965	.209	.188	1.008	173.1	147.9
% change from '92	1.8	24.3	7.1	.4	9.8	6.5
1994:1	.950	.232	.191	.988	180.3	153.6
2	.982	.268	.192	.989	183.2	155.7
3	1.010	.288	.216	1.098	186.7	156.4
4	.980	.284	.204	1.095	189.1	158.9
YEAR	.980	.268	.201	1.042	184.8	156.2
% change from '93	1.6	28.5	6.9	3.4	6.8	5.5

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

0.00%	Imported car Sales
0.00%	Dealer Inventory
- .28%	Total Car Sales
- .37%	Domestic Car Sales
- .37%	Shipments
- 2.63%	Light Truck Sales

LOOK FOR A STRONG MARKET THROUGHOUT THIS YEAR AND IN 1993 FOR LIGHT-DUTY TRUCKS, VANS, JEEPS, AND RECREATIONAL VANS.

Data on sales and shipments of cars and parts are optimistic. Slow but persistent growth in sales and shipments in both categories of vehicles--cars and light-duty trucks are predicted for this year, next year and afterward.

The market for passenger cars is also predicted to be strong, though not as strong as light-duty vehicles.

Compared to the expected 10% in sales of light-duty trucks this year over last year, car sales are expected to increase by approximately 4%. Data for 1993 over 1992 show further increases: by 8.3% for cars and 7.8% for light-duty trucks.

1.50 BUDGETS

See Table 1.50 - page 21

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+ .83%	Federal Surplus Deficit
+ .03%	State Income Tax
- .30%	State Surplus Deficit
- .33%	Corporate Profit Tax
- .68%	Federal Income Tax
- .96%	State Corp. Tax Accrued

THE FEDERAL BUDGET DEFICIT IS OUT OF CONTROL AND WILL REMAIN IN A DEPLORABLE STATE INTO THE NEAR FUTURE.

Data for the long-term forecast show the $122 bil. deficit in the calendar year 2000, far from the "balanced budget" envisioned.

The National Accounts basis of forecast data for the Federal budget deficit in calendar year 1993 show that divergent trends will continue: revenues from taxation and other sources will continue to lag behind expenditures: in 1993 revenues are expected to increase by approximately 8.1% with expenditures by 10.3%.

For 1994 data show the relationship of growth of Federal revenues and expenditures to be 9.2% and 9.8%, respectively. The inverse trend of a faster growth of revenues than expenditures is expected to take place in 1995 and afterwards (measures on the National Accounts basis).

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

	-----FEDERAL----------			*---STATE AND LOCAL----*		
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	504.1	97.1	-218.2	223.4	22.3	38.7
1992:1	518.9P	101.4P	-229.2P	228.2P	25.4P	40.2P
2	526.9P	105.5P	-236.9P	234.9P	25.6P	40.7P
3	542.1	108.1	-242.9	241.4	26.0	41.5
4	550.2	114.0	-247.7	247.8	26.4	42.3
YEAR	534.5	107.2	-239.2	238.1	25.9	41.2
% change from '91	6.0	10.5	9.6	6.6	15.9	6.4
1993:1	564.4	115.0	-249.2	248.3	27.5	43.0
2	573.1	119.2	-237.3	256.6	28.4	44.2
3	584.3	122.1	-229.4	265.3	29.3	45.5
4	604.2	124.7	-227.1	273.7	30.4	470.0
YEAR	581.5	120.2	-235.8	261.0	28.9	150.7
% change from '92	8.8	12.1	-1.4	9.6	11.8	265.9
1994:1	616.1	128.1	-219.8	278.4	31.4	47.5
2	622.3	133.8	-213.3	285.1	32.5	48.1
3	643.2	135.2	-211.2	291.3	33.5	50.3
4	660.3	140.1	-210.5	295.6	34.7	52.0
YEAR	635.5	134.3	-213.7	287.6	33.0	49.5
% change from '93	9.3	11.7	-9.4	10.2	14.3	-67.2

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+ 5.13%	Personal Savings
+ .98%	Corporate After tax Profit
+ .48%	Average weekly earnings
+ .31%	Comp. of employees
- 2.36%	Personal Income
- 2.79%	Personal Disp. Income

DATA ON INCOME GENERATED BY THE BUSINESS SECTOR OF THE ECONOMY IS OPTIMISTIC.

In total, profits of business are expected to keep increasing significantly. Measured as the after-tax profits, the 11.4% hike is expected this year over last year, with an additional nearly 8% rise in 1993 over this year. This rosy general outlook is shadowed a bit by the data on the overseas portion of expected profits: data indicate that a portion, though not too significant, is expected to be due to the weakness of the dollar in international markets and subsequent higher-than normal evaluation of profits generated by the overseas branches of firms in the U.S.

Data on personal income (PI) and components are not as favorable as that on income of businesses. Totals of PI are expected to keep increasing in small margins only mainly due to two reasons: relatively high unemployment, and small increases in income from securities, especially income from CDs and other kinds of savings.

TABLE 1.60
INCOME
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1991*	4843.7	4218.5	3387.7	188.6	222.1	459.1
1992:1	5090.5	4343.4	3604.1	204.9	214.6	468.4
2	5028.8P	4412.7P	3618.1P	210.1P	236.1	474.1
3	5182.2	4398.7	3680.1	214.3	232.7	477.6
4	5287.8	4489.8	3710.2	219.9	237.6	484.9
YEAR	5117.3	4344.7	3653.1	212.3	230.2	476.2
% change from '91	5.6	3.0	7.8	12.6	3.7	3.7
1993:1	5508.8	4696.1	3807.2	223.0	239.1	487.8
2	5637.0	4807.3	3929.7	225.3	237.7	493.7
3	5763.1	4913.5	4009.5	229.8	239.8	496.3
4	5885.1	5007.2	4106.6	235.7	247.8	501.4
YEAR	5698.5	4856.0	3963.2	228.4	241.1	494.8
% change from '92	11.4	11.8	8.5	7.6	4.7	3.9
1994:1	5932.0	5037.5	4123.2	238.2	249.5	503.1
2	6014.8	5107.4	4235.1	240.9	250.3	504.7
3	6127.9	5193.4	4305.6	243.5	252.6	507.2
4	6264.1	5308.2	4456.7	247.3	257.1	510.8
YEAR	6084.7	5161.6	4280.1	242.5	252.4	506.4
% change from '93	6.8	6.3	8.0	6.1	4.7	2.4

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+ 6.84%	Time deposits
+ .80%	Currency and demand deposits
+ .15%	Commercial install loans
0.00%	Mortgages at all holders
- .40%	Consumer install credit
- .57%	Large denom. time deposits

DATA INDICATE THAT MARKETS FOR CONSUMER CREDIT WILL RESUME THE UPWARD TREND FOR THE REST OF THIS YEAR AND THE FIRST HALF OF 1993 SINCE CONSUMERS ARE EXPECTED TO START DRAWING MORE LOANS THAN REPAYMENTS.

Money supply, M1, is predicted to keep increasing at strong rates throughout the rest of this year and in the first half of next year. A slow down in the creation of money by the Fed is expected in the second half of 1993 and afterward.

The prediction for money supply, M2, is not encouraging. Increases in M2 are expected to continue to be only marginal. The main reason for meager growth in this category is seen in low interest rates--it is expected that shifts from M2 to the higher-yield categories will continue in the foreseeable future.

Markets for corporate bonds are predicted to be strong throughout the next year and afterward. Forecast data indicate that businesses will increase their capital spending significantly when compared to this year's spending.

Next year, markets for mortgages and municipal bonds are predicted to continue expanding moderately.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDI-CATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	895.4	3408.4	729.4	582.3	529.8	4048.8
1992:1	917.3P	3451.2P	728.4P	584.3P	527.1P	4064.3P
2	947.8	3460.3	720.1	586.2	527.0	4154.9
3	964.6	3469.0	736.2	588.0	527.3	4216.8
4	937.1	3480.3	730.1	592.1	525.7	4227.0
YEAR	941.7	3465.2	730.1	592.1	525.7	4227.0
% change from '91	5.2	1.7	.1	5.3	-.8	4.4
1993:1	987.8	349.1	736.2	595.0	524.2	4260.4
2	999.4	3520.4	744.3	598.0	530.1	4308.5
3	1016.7	3551.2	753.0	601.9	531.5	4373.2
4	1019.2	3590.2	765.6	611.2	532.1	4413.0
YEAR	1005.8	2752.7	765.6	611.2	532.1	4413.0
% change from '92	6.8	-20.6	4.9	3.2	1.2	4.4
1994:1	1030.2	3663.1	780.2	613.4	537.2	4460.1
2	1041.2	3703.5	793.1	617.1	542.3	4500.1
3	1048.7	3796.5	812.9	619.7	553.1	4568.2
4	1059.2	3884.1	827.4	621.6	558.4	4640.6
YEAR	1044.8	3761.8	827.4	621.6	558.4	4640.6
% change from '93	3.9	36.7	8.1	1.7	4.9	5.2

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*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

THE OUTLOOK FOR SHORT-TERM INTEREST RATES SUGGESTS THEY WILL REMAIN AT CURRENT LEVELS THROUGHOUT MOST OF THE REMAINDER OF THIS YEAR, however, they are expected to take an upward trend by the end of this year and into 1993 and 1994.

Even though some small downward adjustments in interest rates in coming months are not ruled out, significant declines are not expected for the rest of this year.

Main reasons against further cuts in interest rates by the Federal Reserve: 1) there remains little to be cut from, and 2) declines in U.S. short-term interest rates would widen the gap between current rates in the majority of industrialized countries. In the last months, the difference between West European and U.S. short-term rates has caused significant outflow of funds from the U.S. financial markets and further declines in U.S. interest rates would only worsen the situation. Recent decreases in rates in Germany are relatively low and would not change this situation significantly in favor of the U.S. Forecast of long-term rates calls for yields and prices of U.S. bonds to stay at about their current levels. Yields are expected to keep increasing marginally next year and afterward. Forecast for prices of stocks suggest flatness, on average, to prevail next year with possible marginal and temporary declines in the first half of 1993. Bond market prices, in general, are not expected to experience significant ups or downs.

19
FORECAS
DATA

Percent Change
from
August 1992
Forecast

+ .09%	S & P's 500 avg.
- .10%	30 year govt. bond yield
- .18%	Conv. mortg rate
- .28%	Prime rate
- .63%	Aaa corp. bonds
- 1.90%	Treasury bills 3 mo. yield

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1991*	5.42	8.31	9.02	8.77	8.14	376.20
1992:1*	3.79	6.45	8.61	8.24	7.79	413.00
2	3.80	6.28	8.45	8.19	7.59	416.06
3	3.20	6.00	8.41	8.24	7.77	417.98
4	3.14	6.00	8.43	8.36	7.78	420.83
YEAR	3.48	6.18	8.47	8.26	7.73	416.97
% change from '91	-35.7	-25.6	-6.0	-5.8	-5.0	10.8
1993:1	3.32	6.06	8.52	8.47	7.81	420.91
2	3.54	6.12	8.70	8.64	7.84	421.53
3	3.79	6.41	9.03	8.71	7.89	423.82
4	4.08	6.62	9.15	9.06	8.01	429.27
YEAR	3.68	6.30	8.85	8.72	7.89	423.88
% change from '92	5.7	1.9	4.4	5.6	2.0	1.7
1994:1	4.39	6.74	9.27	9.11	8.11	432.37
2	4.48	7.03	9.30	9.45	8.16	430.26
3	4.93	7.26	9.69	9.57	8.19	428.19
4	5.07	7.56	9.87	9.54	8.27	439.41
YEAR	4.72	7.15	9.53	9.42	8.18	432.56
% change from '93	28.1	13.4	7.7	8.0	3.7	2.0

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this Money Supply M1 has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from monthly figures published in Survey of Current Business (U. S. Department of Commerce), blue pages.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Money Supply M1 (bil. $, seas. adj.)
Actual figure: 872.8

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	861.9	+ 1.3
Manufacturers Hanover Trust, NY	12/90	847.0	+ 3.0
Valley National Bank, AR	11/90	855.0	+ 2.1
Metropolitan Life, NY	12/90	853.0	+ 2.2
K.E.D.I., Inc, OH	12/90	853.7	+ 2.2
Fidelity Bank, PA	12/90	872.0	+ .1
Society Bank, OH	12/90	855.0	+ 2.1
Fleet National Bank, RI	12/90	850.1	+ 2.7
John Hancock, MA	12/90	885.0	+ 2.1
Shearson-Lehman, NY	12/90	851.0	+ 2.8

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth	Gross domestic product, 1987 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.12 Consumer Spending and Retail Sales	Personal cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.13 Real GDP	Gross domestic product, 1987 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GDP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GDP	Gross domestic product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
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KEDI ECONOMIC SURVEY

October 1992

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SOURCES:

The U. S. Department of Commerce second quarter 1992 third estimates of Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, September 1992.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

No recession is in sight. Factors that will push the economy forward are exports, housing, autos, and business capital outlays.

Prices

Price outlook calls for a slow pace of inflation at the consumer and producer price levels this year and in 1993.

Employment & Labor

The situation in labor markets is expected to improve in 1994 and the years that follow.

Housing

The outlook for single family unit starts is optimistic for the rest of this year and next.

Automobiles

Expect good years for auto makers in 1993 and 1994 especially in light-duty trucks, jeeps, vans and recreational vehicles.

Budgets

Outlook for Federal Budget receipts and expenditures remains bleak.

Income

Look for slow growth of Personal Income and its components, and fast growth in profits of businesses.

Money & Credit

Fastest growth is forecast for Federal government securities due to huge budget deficits that will persist for several years.

Interest Rates, Yields & Securities Prices

Look for gradual increases in interest rates to start at the beginning of 1993 and will continue into 1994.

0.02 ASSUMPTIONS

		Update
1.	In 1992, the international price of oil will be flat. In 1993 it will be increasing in small margins.	January 1992
2.	Monetary and credit policies are expected to tighten to the end of 1992 and afterward.	July 1992
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with countries of the former USSR and East Europe will expand in 1992 and afterward	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the October 1992 KEDI forecast.	
*	Growth will accelerate in the second half of 1992.	January 1992
*	The upward trend will continue throughout the second half of 1992 and in 1993.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	Toward the end of 1992 and in 1993, interest rates will be increasing.	June 1992
*	Federal budget deficits will keep declining in 1994 and the following years.	September 1992
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1992, 1993 and 1994 are on pages indicated below.

Indicator	Unit	1991	1995	1996	1997
Gross domestic	bil. 87$	4884.9	5269.8	5422.6	5590.7
product, p. 5	% change	-.7	2.9	2.9	3.1
Index of indust.	1987=100	107.2	121.2	125.0	129.0
prod., p. 5	% change	-1.8	2.6	3.1	3.2
Capacity	%	78.2	84.5	84.7	84.6
utiliz., p. 5	% change	-5.0	.2	.3	-.2
Unemployment	%	6.9	6.4	6.3	1.2
rate, p. 5	% change	6.8	.1	-.3	-.4
Private housing	mil.units	1.6	1.3	1.3	1.3
starts, p. 5	% change	-15.0	4.1	-.2	.4
Car sales,	mil.units	8.7	10.1	10.4	11.0
p. 5	% change	-8.8	3.2	2.8	6.0
Implicit GDP	1987=100	117.2	135.0	140.0	144.6
price def.,p.11	% change	3.8	3.8	3.7	3.3
Consumer Price	82-84=100	135.6	154.7	160.3	166.4
Index, p. 11	% change	3.7	3.7	3.6	3.8
Prod.Price Index	1982=100	121.9	140.3	145.9	151.6
(fin.goods),p.11	% change	1.8	4.9	4.0	3.9
Federal Deficit	bil. $	-181.5	-202.4	-176.9	-156.2
p. 21	% change	9.3	-10.4	-12.6	-11.7
Personal Income	bil. $	4843.7	6587.2	7087.9	7669.1
p. 23	% change	3.8	7.8	7.6	8.2
Prime Rate	%	8.3	7.1	7.6	8.2
p. 27	% change	-17.0	1.4	7.0	8.0
Mortgage Rate	%	9.0	9.7	10.0	9.8
p. 27	% change	-7.3	5.0	2.7	-1.8
Currency+demand	bil. $	895.4	1216.7	1258.1	1308.4
deposits , p. 25	% change	13.6	5.0	3.4	4.0
Commercial+ind.	bil. $	582.3	598.0	615.4	629.5
loans, p. 25	% change	3.2	2.7	2.9	2.3
Raw steel	mil.sh.tons	87.6	87.0	88.0	89.9
production	% change	-3.4	-.7	1.2	2.1
Electric power	mil.kw-hr	3192	3294.1	3416.0	3528.8
production	% change	2.9	3.2	3.7	3.3
Bituminous coal	mil.sh.tons	941	948.5	951.4	961.8
production	% change	.3	.8	.3	1.1
Crude oil	avg. daily bbl.	2902	2899.1	2873.0	2896.0
output	% change	-.5	-.1	-.9	.8
Retail sales	bil. $	1834.5	2541.1	2721.6	2920.2
p. 7	% change	1.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ .58%	Private housing starts
0.00%	GDP
- .28%	Autos
- .41%	Capacity Util.
- .79%	Unemployment
- .94%	Index Industrial Prod.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

NO RECESSION IS IN SIGHT. FACTORS EXPECTED TO PUSH THE ECONOMY FORWARD ARE EXPORTS, HOUSING, MOTOR VEHICLES, AND BUSINESS CAPITAL OUTLAYS. Data indicate good increases in these indicators.

Forecast of the overall growth of the economy for the balance of this year and in 1993-1994 remains essentially unchanged when compared to that presented in the September issue of this Survey.

* Slow growth will continue in the months ahead with some acceleration in 1993:2. Stronger growth with a return to more normal conditions is predicted to take place in 1994 and afterward.

* Unemployment for this year and next is expected to remain painfully high. Better conditions in labor markets are expected in 1994 and the years that follow.

Recently released data show declines in some key indicators for September and early October, such as: small declines and weakness in the Index of Leading Indicators, Index of Industrial Production, Durable orders, Personal Income and Construction contracts are regarded here as temporary aberrations from the trend.

Forecast data point convincingly to a continuous, though slow, upward direction of the economy.

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GDP $87 bil.	Index of ind. prod. 1987=100	Unemployment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1991*	4821.0	107.1	6.76	78.2	1.016	8.7
1992:1*	4873.7	105.6	7.29	78.6	1.072	8.7
2*	4892.0	106.7P	7.64	78.7	1.101P	8.9
3	4918.0	108.2	7.63	78.9	1.149	9.1
4	4947.9	109.4	7.60	79.7	1.104	9.2
YEAR	4907.9	107.5	7.54	79.0	1.106	9.0
% change from '91	1.8	.4	11.5	1.0	8.9	3.2
1993:1	4970.4	111.3	7.54	80.1	1.093	9.4
2	4998.6	112.5	7.40	81.6	1.157	9.5
3	5023.7	113.7	6.92	82.4	1.166	9.6
4	5050.8	115.0	6.72	83.5	1.169	9.7
YEAR	5010.9	113.1	7.14	81.9	1.146	9.6
% change from '92	2.1	5.3	-5.2	3.7	3.6	6.4
1994:1	5076.9	116.3	6.59	84.0	1.155	9.6
2	5102.4	117.5	6.52	84.3	1.224	9.7
3	5136.8	118.9	6.19	84.4	1.272	9.9
4	5168.9	120.0	6.08	84.5	1.259	9.9
YEAR	5121.2	118.2	6.34	84.3	1.228	9.8
% change from '93	2.2	4.5	-11.2	2.9	7.1	2.4

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ 2.27%	Retail Sales Nondurable
+ .69%	Retail Sales Total
+ .46%	Pers. Cons. Expand. Nondurable
+ .19%	Pers. Con. Expend. Durable
- 1.16%	Pers. Cons. Expend. Services
- 2.05%	Retail Sales Durable

IN 1993 RETAIL SALES ARE EXPECTED TO CONTINUE IMPROVING. DATA CALL FOR .3% AVERAGE MONTHLY INCREASES, ON SEASONALLY ADJUSTED RATES, WHICH WILL ACCELERATE TO .4% IN 1994.

September data on retail trade shows weakness in sales of many key categories of products, notably apparel, textile mill products, general store merchandise, transportation, hotels, motels, and restaurants.
Forecast data indicate that slow markets will continue this month. Improvement is predicated for November and afterward. Data also point to December to be a good year for retailers with Christmas sales significantly above last year's level.
The fastest growth in retail sales this year and next is expected to be in sales of consumer durables, notably motor vehicles and parts, home building materials, household appliances, hardware, and household electronics.
Expect moderate but steady growth of sales of grocery stores, fast food stores and gasoline stations.
Sales of textile mill products, apparel and footwear are expected to remain weak for about half a year. Improvements are foreseen in the second half of 1993 and afterward.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondur-ables	Services	Total	Durables	Nondur-ables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1991*	446.1	1251.5	2161.5	1828.3	681.2	1147.1
1992:1*	469.4	1274.1	2227.9	2008.5R	709.0R	1299.5R
2*	470.6	1277.5	2309.0	2014.1P	714.1P	1300.0
3	477.3	1318.3	2326.6	2038.2	731.0	1307.2
4	485.9	1336.9	2403.3	2063.8	747.2	1316.6
YEAR	475.8	1301.7	2316.7	2031.2	725.3	1305.8
% change from '91	6.7	4.0	7.2	11.1	6.5	13.8
1993:1	493.2	1362.5	2375.2	2085.2	759.4	1325.8
2	512.0	1378.1	2412.2	2119.1	805.4	1186.5
3	528.1	1390.4	2465.6	2231.6	818.2	1413.4
4	540.2	1418.2	2523.8	2267.5	830.9	1436.6
YEAR	518.4	1387.3	2444.2	2175.8	803.5	1340.6
% change from '92	8.9	6.6	5.5	7.1	10.8	2.7
1994:1	554.1	1423.4	2588.8	2295.4	842.2	1453.2
2	565.2	1438.0	2634.2	2357.1	856.3	1500.8
3	580.1	1450.2	2758.3	2374.1	871.4	1502.7
4	591.3	1464.2	2767.6	2402.5	884.3	1518.2
YEAR	572.7	1444.0	2687.2	2357.3	863.5	1493.7
% change from '93	10.5	4.1	9.9	8.3	7.5	11.4

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GDP

See Table 1.13
Page 9

1992
FORECAST
DATA

Percent Change from September 1992 Forecast

+ .01%	Gross Private Dom. Invest.
0.00%	Personal Cons. Expend.
0.00%	GDP
- .03%	State Local Purch.
- .16%	Federal Govt. Purch.
- 1.48%	Net Exports

THE LAST AND FINAL REVISION OF GDP AND COMPONENTS FOR 1992:2 HAS NOT BROUGHT ANY SIGNIFICANT CHANGES WHEN COMPARED TO LAST MONTH'S REVISION.

The figure for total GDP has been increased by a statistically immaterial $1.4 bil., due to slight upward revision in Personal consumption expenditures and Gross private domestic investment, and data for negative net exports and Federal Government purchases.

Forecast data for growth of GDP and components in constant dollars has been barely changed when compared to forecast data in the September issue of KES: 1.8% growth this year; 2.1% in 1993 over 1992; and 2.2% in 1994 over 1993.

TABLE 1.13
REAL GDP

Quarterly data are seasonally adjusted at annual rates.

	-----------Gross Domestic Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1991*	4821.0	3240.7	661.1	-21.8	388.3	552.7
1992:1*	4873.7	3289.2	668.9	-21.5	375.3	561.8
*2	4892.0	3288.1	713.6	-43.9	372.7	561.5
3	4918.0	3313.3	717.2	-45.2	370.7	562.0
4	4947.9	3332.3	730.9	-49.0	369.3	564.4
YEAR	4907.9	3305.7	707.6	-39.9	372.0	562.4
% change from '91	1.8	2.0	7.0	83.0	-4.2	1.8
1993:1	4970.4	3347.0	735.3	-45.3	368.0	565.4
2	4998.6	3364.3	742.2	-42.6	367.5	567.2
3	5023.7	3382.0	750.8	-45.2	368.1	568.0
4	5050.8	3401.3	757.3	-46.4	369.0	569.6
YEAR	5010.9	3373.7	746.4	-44.9	368.1	567.5
% change from '92	2.1	2.1	5.5	12.5	-1.0	.9
1994:1	5076.9	3405.2	778.5	-47.3	368.4	572.1
2	5102.4	3420.4	785.3	-42.4	365.3	573.8
3	5136.8	3443.4	794.2	-39.3	364.3	574.2
4	5168.9	3471.3	798.9	-37.7	360.7	575.7
YEAR	5121.2	3435.1	789.2	-41.7	364.7	574.0
% change from '93	2.2	1.8	5.7	-7.1	-.9	1.1

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GDP

1.21 PRICES

See Tables 1.21 - page 11

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ .04%	Consumer Price Index
0.00%	State Local Purch.
- .02%	Producer Price Index
- .08%	Federal Govt. Purch.
- .45%	GDP
- .71%	Pers. Cons. Expend.

PRICE OUTLOOK CALLS FOR SLOW PACE OF INFLATION AT THE CONSUMER AND PRODUCER PRICE LEVELS THIS YEAR AND IN 1993.
Some acceleration is expected in 1994 and in years that follow.

Data point to these factors that are expected to cause moderate price hikes in 1993:
* Slow growth of personal income. A significantly high number of umemployed persons is expected to continue in 1993, which will restrict the growth of consumer demand, hence an upward pressure on consumer prices.
* Moderate growth of demand of businesses for raw materials and other supplies due to expected slow overall growth of the economy--no excessive upeward pressures on prices of intermediate products.
* Small increases in average wage rates in existing and expected labor contracts prevent significant cost-push pressures on prices.
* International markets for crude materials and other products are expected to remain weak throughout next year. No significant price increases are expected which would push uupward prices of imported goods and services.

Price outlook for 1994 calls for acceleration in inflation due to expected revival of the domestic economy, overseas economies and international markets.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Dom. Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1987= 100	1987= 100	1987= 100	1987= 100
Year & Qtr.						
1991*	136.5	121.9	117.2	119.7	115.5	116.4
1992:1*	137.9	123.1	118.8	120.7	118.5	117.4
2*	139.4	123.6	120.1	122.5	119.0	119.1
3	140.8	124.8	121.6	124.4	119.2	120.6
4	142.9	125.2	122.1	126.8	120.1	121.3
YEAR	140.2	124.2	120.6	123.6	119.2	119.6
% change from '91	2.7	1.9	2.9	3.3	3.2	2.7
1993:1	143.1	126.0	122.8	126.4	120.7	122.0
2	144.0	127.1	123.7	127.9	121.4	122.8
3	145.3	128.3	125.0	129.6	122.5	123.7
4	146.0	129.9	126.5	131.8	123.0	124.8
YEAR	144.6	127.8	124.5	128.9	121.9	123.3
% change from '92	3.1	2.9	3.2	4.3	2.3	3.1
1994:1	147.0	131.3	127.9	134.1	124.0	126.0
2	148.4	132.7	129.0	135.6	125.1	127.1
3	149.8	134.9	131.5	139.1	126.2	128.8
4	151.6	136.1	131.8	138.9	127.6	130.6
YEAR	149.2	133.8	130.1	136.9	125.7	128.1
% change from '93	3.2	4.6	4.5	6.2	3.1	3.9

---

*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GDP

See Table 1.22 - page 13

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+	.38%	Gross Private Dom. Invest.
-	.03%	State Local Purch.
-	.20%	Federal Govt. Purch.-
-	.43%	GDP
-	.53%	Net Exports
-	.67%	Pers Cons. Expend.

Compared to the second revision of nominal GDP and components for 1992:2, the final revision recently released by the U. S. Department of Commerce reflects the downward reestimation of price increases.

Due to the lower estimated rate of inflation than previously released, the total nominal GDP has been reduced by almost $16 bil. The largest reestimation was due to the rate of inflation at the consumer level--a decrease of $11.1 bil.

KEDI's forecast of nominal GDP and components has been slightly changed downward when compared to data in the September issue, mostly due to the lower-than-previously reported data on inflation when measured by price deflators (See Table 1.21 on page 11).

TABLE 1.22
NOMINAL GDP

Quarterly data are seasonally adjusted at annual rates.

	Gross Domestic Product					
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	5650.2	3859.1	721.1	-21.8	448.5	643.3
1992:1*	5790.0	3971.4	722.4	-8.1	444.7	659.6
2*	5875.3	4026.9	773.2	-37.1	443.5	668.7
3	5980.3	4122.2	777.4	-39.0	441.9	677.8
4	6041.4	4226.1	782.5	-46.7	432.0	647.5
YEAR	5921.7	4086.7	763.9	-32.7	440.5	663.4
% change from '91	4.8	5.9	5.9	50.1	-1.8	3.1
1993:1	6103.7	4230.9	789.1	-50.3	444.2	689.8
2	6183.3	4302.3	791.4	-53.1	446.1	696.5
3	6279.6	4384.1	797.2	-55.2	450.9	702.6
4	6389.3	4482.2	800.4	-58.1	453.9	710.9
YEAR	6239.0	4349.9	794.5	-54.2	448.8	699.9
% change from '92	5.4	6.4	4.0	65.5	1.9	5.5
1994:1	6493.4	4566.3	810.4	-61.0	456.8	720.8
2	6582.1	4637.4	821.5	-63.1	457.0	729.3
3	6754.9	4788.6	832.4	-65.4	459.7	739.6
4	6812.6	4823.1	843.2	-65.8	460.3	751.9
YEAR	6660.7	4703.8	826.9	-63.8	458.5	735.4
% change from '93	6.8	8.1	4.1	17.8	2.2	5.1

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

THE SITUATION IN LABOR MARKETS IS EXPECTED TO IMPROVE IN 1994 AND THE YEARS THAT FOLLOW.

Forecast of labor markets in this year and in 1993 remains bleak. The unemployment rate is expected to continue dropping only marginally.

Two main factors causing the relatively high unemployment rate this year and next were outlined in the September issue of this Survey.

KEDI's October forecast data confirm last month's outlook which points to two main factors causing unemployment to remain uncomfortably high.

First, the Federal budget defense expenditure cuts. Data point to the following industries that are primarily affected by cuts in defense orders: defense industry, notably its segments producing missiles, aircraft and parts, ordnance and accessories, armored vehicles, warships, and advanced technology.

Forecast data anticipate that some declines in defense orders will be compensated by increased military orders from abroad. However, this increase is not expected to be decisive. Drops in output in these industrries are expected to affect the supplying industries, notably fabricated metal products, motor vehicles and parts, machinery in general, and primary metals industries.

Data point to other industries affected: construction industry and its maintenance and repair segments, and mining, especially in its uranium ore segment.

Second, the cost cutting policies of producers are expected to be another major factor causing unemployment to remain stubbornly high.

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ .01%	Population
0.00%	Agriculture
- .04%	Civilian Labor Force
- .08%	Total Employed
- .08%	Nonagriculture
- .53%	Unemployment

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Popu-lation	Civil. labor force	*-------Employment-------*			Unem-ploy-ment rate
			Total	Agri-cult.	Non-agric.	
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1991*	263.9	125.7	116.9	3.2	113.7	6.76
1992:1	266.0	127.1	117.8	3.2	114.6	7.29
2	266.4	127.4P	117.7	3.2	114.5P	7.64
3	267.0	127.5P	117.8P	3.2	114.6P	7.63
4	267.9	128.6	118.8	3.2	115.6	7.60
YEAR	266.8	127.7	118.2	3.2	115.0	7.54
% change from '91	1.1	1.6	1.4	0.0	1.1	11.5
1993:1	269.8	128.9	119.2	3.2	116.0	7.54
2	270.3	130.1	120.5	3.2	117.3	7.40
3	271.2	130.5	121.5	3.2	118.3	6.92
4	272.1	131.3	122.5	3.2	119.3	6.72
YEAR	270.9	130.2	120.9	3.2	117.7	7.14
% change from '92	1.5	2.0	2.1	0.0	2.3	-5.2
1994:1	271.9	131.4	122.7	3.2	119.5	6.59
2	273.0	132.4	123.8	3.2	120.6	6.52
3	274.0	133.8	125.5	3.2	122.3	6.19
4	274.8	134.9	126.7	3.2	123.5	6.08
YEAR	273.4	133.1	124.7	3.2	121.5	6.34
% change from '93	1.0	2.2	2.5	0.0	3.2	-11.20

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ .16%	Single family housing starts
+ .02%	1-family housing new
0.00%	Permits issued
- .29%	Mobile home shipments
- .88%	1-family housing existing
- 6.59%	Multiple family housing starts

THE OUTLOOK FOR SINGLE FAMILY UNIT STARTS IS OPTIMISTIC FOR THE REST OF THIS YEAR AND NEXT.

Next year, single family housing is expected to continue expanding at fairly good rates and will continue well in 1994. Factors affecting the recovery in this segment are relatively low mortgage rates, pent-up demand for new homes, and small increase in prices of new and existing homes expected to continue by small increases throughout the forecast period.

On the other hand, the outlook for multi-family housing is not as optimistic. A good year for builders of apartment housing is expected to be 1994 while data for 1993 point to persisting difficulties in this segment due mainly to large inventory of unsold apartments. The outlook for the mobile home segment shows moderate increases in the number of units shipped in 1993 and 1994.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home shipments mil.	Permits authorized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1991*	.846	.170	.163	.941	150.7	129.4
1992:1*	.930	.142	.161	.971	150.4	134.3
2	.950P	.151P	.180P	.974P	154.1P	137.1
3	.970	.179	.190	.990	160.3	139.2
4	.948	.156	.167	1.081	165.7	140.1
YEAR	.950	.157	.174	1.004	157.6	137.7
% change from '91	12.2	-7.7	7.1	6.7	4.6	6.4
1993:1	.939	.154	.170	.983	167.6	141.1
2	.980	.177	.190	.994	168.4	145.3
3	.982	.184	.200	10.920	171.2	146.7
4	.979	.190	.187	.987	173.2	148.4
YEAR	.970	.176	.187	3.471	170.1	145.4
% change from '92	2.2	12.3	7.0	245.7	7.9	5.6
1994:1	.953	.202	.191	.988	175.4	150.2
2	.986	.238	.192	.989	178.2	153.2
3	1.016	.256	.216	1.098	180.5	154.1
4	.988	.271	.204	1.095	185.6	155.9
YEAR	.986	.242	.201	1.042	179.9	153.3
% change from '93	1.6	37.2	7.5	-70.0	5.8	5.5

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*Historical data. R = Revised. P = Preliminary.

**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ .37%	Domestic car Sales
0.00%	Dealer Inventory
0.00%	Light Truck Sales
- .28%	Total Car Sales
- 1.49%	Shipments
- 2.17%	Imported Car Sales

EXPECT GOOD YEARS FOR AUTO MAKERS IN 1993 AND 1994.

Forecast data show that the motor vehicle producers will end this year with approximately $1.2 bil. after-tax profits which will increase to $1.8 bil. in 1993, and $2.3 bil. in 1994.

Detailed data point to the category of light-duty trucks which include pick-ups, jeeps, vans and recreational vehicles to be the main profit makers for the automobile industry. Markets for these vehicles are expected to perform strongly throughout the forecast period: this year, 1993 and 1994.

Compared to the above category, the market for cars is expected to be not as strong. Expected increase in the number of cars sold are: 3.2% this year over 1991; 4.6% in 1993 over 1992; and another 2.1% in 1994. Comparable data for light-duty trucks are: 8.8% this year, 4.8% in 1993, and 2.6% in 1994.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1991*	8.7	6.1	2.6	1.5	6.1	3.4
1992:1	8.7	6.5	2.2	1.3	6.3	3.6
2	8.9	6.6	2.3	1.4	6.6	3.6
3	9.1	6.9	2.2	1.5	6.7	3.8
4	9.2	6.9	2.3	1.6	6.8	3.8
YEAR	9.0	6.7	2.2	1.6	6.6	3.7
% change from '91	3.2	10.2	-13.5	6.7	8.2	8.8
1993:1	9.4	7.2	2.2	1.5	6.8	3.8
2	9.5	7.2	2.3	1.6	7.1	3.9
3	9.6	7.3	2.3	1.7	7.2	4.2
4	9.7	7.4	2.3	1.6	7.1	4.2
YEAR	9.6	7.3	2.3	1.6	7.0	4.0
% change from '92	6.4	5.3	1.1	0.0	6.8	8.8
1994:1	9.6	7.3	2.3	1.7	7.0	3.9
2	9.7	7.3	2.4	1.7	7.4	4.0
3	9.9	7.6	2.3	1.8	7.3	4.1
4	9.9	7.6	2.3	1.8	7.5	4.2
YEAR	9.8	7.5	2.3	1.8	7.3	4.0
% change from '93	2.4	.2	2.2	12.5	3.5	.6

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ 3.92%	Corporate Profit Tax
+ .39%	State Corp. Tax Accrued
+ .24%	Federal Surplus Deficit
+ .06%	State Surplus Deficit
- .20%	Federal Income Tax
- .64%	State Income Tax

OUTLOOK FOR FEDERAL BUDGET RECEIPTS AND EXPENDITURES REMAINS BLEAK.

Neither a balanced or near-balanced budget is in sight in the foreseeable future. The budget deficit is expected to peak in 1993 when measured in calendar year and on the National Income and Product basis. It is anticipated that the legislatures' efforts to do something with the Federal budget will continue. However, it is also anticipated that these efforts will not result in significant declines in the deficit.

KEDI's long-term forecast shows the calendar-year Federal deficit in the year 2000 will be in the range of $120-150 bil. Forecast data for budgets of state and local governments is more optimistic. Data show continuous increases in state and local budgets surpluses, measured in calendar years and on the National Income and Product basis. In the long-term forecast, data shows the cumulative surplus in the range of $65-70 bil. in the year 2000.

The long-term outlook is not as bad when the public area as a whole is considered, i.e., Federal budget deficits and state and local surpluses: the total shows a deficit in the range of $55-80 bil. Taken into account the rate of inflation and the rate of growth in the economy, these figures point to a deficit within essentially tolerable limits.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

	-----FEDERAL----------			*---STATE AND LOCAL----*		
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	504.1	97.1	-218.2	223.4	22.3	38.7
1992:1	518.0	101.4	-229.0	228.8	25.6	40.1
2	525.4	109.3	-234.7	234.1	25.9	40.9
3	542.0	114.2	-243.8	240.3	26.1	41.6
4	548.3	120.7	-251.6	243.1	26.4	42.3
YEAR	533.4	111.4	-239.8	236.6	26.0	41.2
% change from '91	5.8	14.7	9.9	5.9	16.6	6.5
1993:1	560.1	125.4	-259.7	245.4	27.8	43.4
2	571.2	129.7	-267.4	252.7	28.9	44.5
3	582.4	132.8	-259.6	261.4	29.5	46.7
4	604.0	139.6	-248.8	270.7	30.8	47.4
YEAR	579.4	131.9	-258.9	257.6	29.2	45.5
% change from '92	8.6	18.4	8.0	8.9	12.5	10.4
1994:1	612.2	145.2	-239.5	275.4	32.0	48.2
2	622.0	148.7	-223.7	280.2	33.2	49.1
3	640.3	153.7	-221.5	290.4	34.7	50.8
4	657.4	160.8	-218.7	295.0	35.9	52.4
YEAR	633.0	152.1	-225.8	285.2	34.0	50.1
% change from '93	9.2	15.3	-12.8	10.8	16.1	10.2

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ 3.45%	Currency and demand deposits
- .01%	Consumer install. credit
- .24%	Mortgages at all holders
- .32%	Large denom. time deposits
- .32%	Commercial install. loans
- .45%	Time deposits

LOOK FOR SLOW GROWTH OF PERSONAL INCOME AND ITS COMPONENTS, AND FAST GROWTH IN PROFITS OF BUSINESSES.

Data on Personal Income and components point to these main factors that are expected to affect the growth of this indicator in 1993:

* relatively high unemployment and small increases in wage rates which will slow down the total growth of wages and salaries, the largest component of personal income

* marginal increases in another important component of personal income: income from interest and yields on securities due to low interest rates expected to continue in that year

* marginal increases and leveling off of the total amount of wages and salaries paid to Federal government employees mainly in the defense segment.

On the other hand, income of the business sector is expected to be strong. Industries expected to show strongest gains in earnings in 1993 compared to 1992 estimates are: consumer durables, technology, basic industries, energy, consumer services, transportation, health care, and capital goods.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	Pers. income bil. $	Pers. disp. income bil. $	Comp. of empl. bil. $	Corp. after tax profits bil. $	Pers. saving bil. $	Avg. week earn. $
Year & Qtr.						
1991*	4843.7	4218.5	3387.7	188.6	222.1	459.1
1*	4932.8	4186.0	3604.1	204.9	214.6	468.4
2*	5018.7	4259.2	3610.2	216.7	232.3	474.0
3	5137.3	4355.0	3670.0	220.3	232.8	476.5
4	5255.9	4464.5	3694.2	225.6	238.4	483.7
YEAR	5086.2	4316.2	3644.6	216.9	229.5	475.6
% change from '91	5.0	2.3	7.6	15.0	3.3	3.6
1993:1	5466.5	4661.0	3808.4	227.4	239.4	485.8
2	5562.4	4738.5	3929.2	228.9	237.7	492.7
3	5675.2	4831.4	4003.2	237.8	239.9	496.8
4	5817.0	4942.3	4104.6	245.3	247.8	500.4
YEAR	5630.3	4793.3	3961.3	234.9	241.2	493.9
% change from '92	10.7	11.1	8.7	8.3	5.1	3.8
1994:1	5920.9	5033.3	4123.4	248.1	249.5	503.1
2	6019.3	5117.1	4232.1	246.9	250.3	504.7
3	6213.2	5282.5	4285.2	247.5	252.6	507.2
4	6289.1	5336.7	4356.4	248.3	257.1	510.8
YEAR	6110.6	5192.4	4249.3	247.7	252.4	506.4
% change from '93	8.5	8.3	7.3	5.5	4.6	2.5

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*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

FASTEST GROWTH IS FORECAST TO BE EXPERIENCED IN MARKETS FOR FEDERAL GOVERNMENT SECURITIES DUE TO HUGE BUDGET DEFICITS TO PERSIST IN THE FORESEEABLE FUTURE.

KEDI maintains its forecast of growth of money supply M1 and M2 presented in previous issues of this Survey: In the first half of next year M1 is expected to continue growing vigorously. It is anticipated that the policy of the Federal Reserve to create money to stimulate the economy will change the direction approximately in the middle of next year when it will become more restrictive.
Forecast of growth of M2 remains bleak. Only marginal increases, well below the Fed's target range are expected to take place in the next year. It is anticipated that consumers will continue abstaining from investments in CDs and other securities in the category of M2 and will continue investing in more lucrative instruments.

In 1993, markets for consumer installment credit are expected to continue regaining vigor, especially in its automotive and households durables segments. In 1993 data point to strong markets for corporate bonds and home mortgages due to expected continuing strong demand of businesses for funds to finance capital expansion, and consumers' demand for financing new and existing home purchases.

1992
FORECAST
DATA

Percent Change
from
September 1992
Forecast

+ .42%	S & P's 500 avg.
+ .04%	Prime rate
- .09%	Aaa corp. bonds
- .77%	Conv. mortg. rate
- 1.84%	30 year govt. bond yield
- 4.38%	Treasury bills 3 mo. yield

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1991*	895.4	3408.4	729.4	582.3	529.8	4048.8
1992:1	917.3P	3442.2P	728.4P	584.3P	527.1P	4064.3P
2	952.6P	3423.1P	722.1P	586.1P	526.7P	4150.0P
3	998.5	3460.1	727.4	587.4	525.4	4206.3
4	1028.5	3472.5	730.0	590.2	524.0	4217.0
YEAR	974.2	3449.5	730.0	590.2	524.0	4217.0
% change from '91	8.8	1.2	.1	5.3	-1.1	4.2
1993:1	1059.2	3480.2	736.0	594.1	524.2	4250.4
2	1089.7	3500.7	744.1	595.6	526.2	4298.2
3	1116.3	3541.5	752.6	601.2	527.5	4313.6
4	1129.8	3570.3	764.3	606.2	530.2	4393.4
YEAR	1098.8	3523.2	764.3	606.2	530.2	4393.4
% change from '92	12.8	2.1	4.7	2.7	1.2	4.2
1994:1	1139.5	3603.6	779.1	610.4	535.3	4410.0
2	1151.7	3673.2	790.2	615.0	540.3	4481.1
3	1168.4	3756.4	812.4	617.7	550.2	4539.2
4	1175.6	3714.1	820.5	620.2	553.4	4580.1
YEAR	1158.8	3686.8	820.5	620.2	553.4	4580.1
% change from '93	5.5	4.6	7.4	2.3	4.4	4.2

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*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1992
FORECAST
DATA

Percent Change
from
August 1992
Forecast

+ .09%	S & P's 500 avg.
- .10%	30 year govt. bond yield
- .18%	Conv. mortg rate
- .28%	Prime rate
- .63%	Aaa corp. bonds
- 1.90%	Treasury bills 3 mo. yield

FORECAST DATA ON INTEREST RATES CALLS FOR GRADUAL INCREASES TO START AT THE BEGINNING OF NEXT YEAR AND WILL CONTINUE THROUGHOUT 1993 AND 1994.
No significant declines, if declines at all are expected in coming months.

Reasons underlying the interest rates forecast are the following:
* Current interest rates are already so low that there is not much room for further declines. In addition, current low levels are not becoming too beneficial for a growing number of segments of the economy, notably banks, insurance, and pension funds.
* The gap between the low U.S. interest rates and high interest rates charged in West European countries, notably in Germany, United Kingdom and many others is so large that it cannot be sustained in the long term. It is anticipated that industrialized countries will not be able to follow the U.S. lead in lowering their rates, and if they decrease their rates, it will be symbolic, small declines without any significant effect. Therefore, the Fed has little choice but to start gradually adjusting the U.S. interest rates level to that existing in developed countries.

Forecast data on prices and yields of bonds in 1993 call for increases in prices of corporate bonds due to increases in the demand for funds financing the growth of capital outlays of businesses.

Data on prices in the stock market calls for leveling off in the first quarter of 1993 with possible small. declines, and resumption of growth in marginal increases in 1993:2 and afterward.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg
Unit	%	%	%	%	%	
Year & Qtr.						
1991*	5.42	8.31	9.02	8.77	8.14	376.20
1992:1*	3.79	6.45	8.61	8.24	7.78	413.04
2*	3.67	6.28	8.41	8.19	7.52	420.07
3	3.04	6.00	8.32	8.25	7.57	420.84
4	2.81	6.00	8.28	8.33	7.48	420.92
YEAR	3.33	6.18	8.40	8.25	7.59	418.72
% change from '91	-38.6	-25.6	-6.8	-5.9	-6.8	11.3
1993:1	3.03	6.00	8.32	8.42	7.51	420.90
2	3.24	6.11	8.38	8.54	7.64	421.58
3	3.59	6.31	8.54	8.61	7.72	423.83
4	3.81	6.62	8.75	8.86	7.94	427.28
YEAR	3.42	6.26	8.50	8.61	7.70	423.40
% change from '92	2.7	1.3	1.1	4.3	1.5	1.1
1994:1	4.08	6.71	9.07	9.01	8.01	432.30
2	4.28	6.83	9.10	9.25	8.06	431.28
3	4.53	7.16	9.39	9.50	8.11	429.12
4	4.78	7.46	9.57	9.52	8.23	436.42
YEAR	4.42	7.04	9.28	9.32	8.10	432.28
% change from '93	29.3	12.5	9.2	8.3	5.2	2.1

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue Aa Corporate Bonds rate has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1990-91, pp. 39 and 41. Actual figure has been calculated from monthly figures published in Federal Reserve Bulletin (Board of Governors of the Federal Reserve System, Washington, D.C.), March and April 1992 issues.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Aaa Corporate Bonds rate (%)
Actual figure: 8.7

Forecaster	Date of Forecast	Forecast	Accuracy %
First Interstate Bank Corp., Los Angeles, CA	12/90	8.9	+ 2.3
Manufacturers Hanover Trust, NY	12/90	9.8	+12.6
Valley National Bank, AR	11/90	9.7	+11.5
Metropolitan Life, NY	12/90	8.7	.0
K.E.D.I., Inc, OH	12/90	9.2	+ 5.7
Fidelity Bank, PA	12/90	8.9	+ 2.3
Society Bank, OH	12/90	9.5	+ 9.1
Fleet National Bank, RI	12/90	8.0	- 8.0
John Hancock, MA	12/90	8.8	+ 1.1
Corstate Financial Corp., PA	12/90	8.8	+ 1.1
National City Bank, OH	12/90	9.2	+ 5.7

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth	Gross domestic product, 1987 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.12 Consumer Spending and Retail Sales	Personal cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.13 Real GDP	Gross domestic product, 1987 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GDP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GDP	Gross domestic product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36